

# **Siyancuma**

## **MUNICIPALITY**



[These financial statements have not been audited]

## **FINANCIAL STATEMENTS**

**30 JUNE 2014**

# SIYANCUMA LOCAL MUNICIPALITY

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# SIYANCUMA LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Siyancuma Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

Siyancuma Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Siyancuma Municipality includes the following areas:

*Douglas*  
*Griekwastad*  
*Campbell*  
*Schmidsdrift*

#### MEMBERS OF THE COUNCIL

Mayor	<i>L. Oliphant</i>
Councillor	<i>J. George</i>
Councillor	<i>M. Selebogo</i>
Councillor	<i>S. Mosette</i>
Councillor	<i>P. Mc Klein</i>
Councillor	<i>D. Koopman</i>
Councillor	<i>A. Oliphant</i>
Councillor	<i>M. Eland</i>
Councillor	<i>V. Adams</i>
Councillor	<i>R. Booysen</i>
Councillor	<i>L. Van Niekerk</i>

#### MUNICIPAL MANAGER

*H.F. Nel*

#### CHIEF FINANCIAL OFFICER

*C.J.B. Müller*

#### REGISTERED OFFICE

<i>7 Charl Street</i>	<i>P.O. Box 27</i>
<i>Douglas</i>	<i>Douglas</i>
<i>8730</i>	<i>8730</i>

#### AUDITORS

*Auditor-General (NC)*  
*Private Bag X5013*  
*KIMBERLEY*  
*8300*

#### PRINCIPLE BANKERS

*Standard Bank, Douglas*      *First National Bank, Douglas*

#### ATTORNEYS

*Herman van Heerder Attorneys*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# SIYANCUMA LOCAL MUNICIPALITY

## MEMBERS OF THE SIYANCUMA LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	<i>J. George</i>
2	<i>M. Selebogo</i>
3	<i>S. Mosetle</i>
4	<i>P. Mc Klein</i>
5	<i>D. Koopman</i>
6	<i>A. Oliphant</i>
Proportional	<i>L. Oliphant</i>
Proportional	<i>M. Eland</i>
Proportional	<i>V. Adams</i>
Proportional	<i>R. Booysen</i>
Proportional	<i>L. Van Niekerk</i>

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2014 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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*H.F. Nel*  
**Municipal Manager**

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29 August 2014  
**Date**

# SIYANCUMA LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R (Actual)	2013 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>255 607 793</b>	<b>231 061 170</b>
Accumulated Surplus		255 607 793	231 061 170
<b>Non-Current Liabilities</b>		<b>22 356 418</b>	<b>21 988 602</b>
Long-term Liabilities	2	4 767 981	6 370 669
Employee benefits	3	13 139 830	11 439 600
Non-Current Provisions	4	4 448 607	4 178 333
<b>Current Liabilities</b>		<b>44 683 799</b>	<b>29 305 292</b>
Consumer Deposits	5	164 784	187 555
Current Employee benefits	6	4 946 516	4 184 671
Provisions	7	1 373 473	1 289 342
Payables From Exchange Transactions	8	18 826 770	11 384 752
Unspent Conditional Government Grants and Receipts	9	17 105 961	10 118 984
Current Portion of Long-term Liabilities	2	2 266 294	2 139 988
<b>Total Net Assets and Liabilities</b>		<b>322 648 010</b>	<b>282 355 065</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>270 427 200</b>	<b>256 702 085</b>
Property, Plant and Equipment	11	258 755 115	244 973 865
Investment Property	12	9 982 000	9 982 000
Intangible Assets	13	633 594	458 273
Biological Assets	14	480 915	521 100
Capitalised Restoration Cost	15	426 166	628 843
Operating Lease Asset	20	149 410	138 004
<b>Current Assets</b>		<b>52 220 810</b>	<b>25 652 980</b>
Inventory	16	501 810	422 030
Trade Receivables from exchange transactions	17	32 376 553	9 459 320
Other Receivables from non-exchange transactions	18	875 146	935 326
Taxes	10	9 009 030	7 650 550
Cash and Cash Equivalents	21	9 458 271	7 185 754
<b>Total Assets</b>		<b>322 648 010</b>	<b>282 355 065</b>

**SIYANCUMA LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 (Actual) R	2013 (Restated) R	Correction of error R	2013 (Previously reported) R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>75 697 171</b>	<b>72 444 579</b>	<b>(488 465)</b>	<b>72 933 044</b>
<b>Taxation Revenue</b>		<b>7 620 826</b>	<b>6 938 466</b>	<b>-</b>	<b>6 938 466</b>
Property taxes	22	7 620 826	6 938 466	-	6 938 466
<b>Transfer Revenue</b>		<b>66 882 371</b>	<b>65 272 664</b>	<b>-</b>	<b>65 272 664</b>
Government Grants and Subsidies - Capital	23	24 191 703	27 022 396	-	27 022 396
Government Grants and Subsidies - Operating	23	42 690 668	38 250 268	-	38 250 268
<b>Other Revenue</b>		<b>1 193 974</b>	<b>233 449</b>	<b>(488 465)</b>	<b>721 914</b>
Third Party Payments		-	-	-	-
Fines		86 940	48 085	-	48 085
Licences and Permits		913 975	13 327	-	13 327
Gain on disposal of PPE	11	127 984	-	-	-
Actuarial Gains	3	-	-	-	-
Contributed PPE	11	-	107 652	1 850	105 802
Change in fair value of biological assets	14	65 075	64 385	(490 315)	554 700
<b>Revenue from Exchange Transactions</b>		<b>55 646 792</b>	<b>42 251 239</b>	<b>-73 959</b>	<b>42 325 198</b>
Service Charges	24	41 988 033	39 363 314	(37 190)	39 400 504
Rental of Facilities and Equipment		409 604	416 329	386	415 943
Interest Earned - external investments		307 316	874 602	-	874 602
Interest Earned - outstanding debtors		629 910	561 324	-	561 324
Agency Services		-	754 909	-	754 909
Other Income	25	12 311 929	280 761	(37 155)	317 916
<b>Total Revenue</b>		<b>131 343 963</b>	<b>114 695 818</b>	<b>(562 424)</b>	<b>115 258 242</b>
<b>EXPENDITURE</b>					
Employee related costs	26	38 671 576	35 907 254	-	35 907 254
Remuneration of Councillors	27	3 388 009	3 065 848	-	3 065 848
Debt Impairment	28	90 856	11 158 154	-	11 158 154
Collection Cost		-	-	-	-
Depreciation and Amortisation	11	9 434 870	8 870 249	-2 416 373	11 286 622
Repairs and Maintenance		2 206 362	4 489 728	-	4 489 728
Actuarial losses	3	860 557	899 665	-	899 665
Finance Charges	29	1 686 854	2 083 167	-296 437	2 379 604
Bulk Purchases	30	28 699 973	23 285 656	-20 486	23 306 142
Stock Adjustments	30	20 971	20 486	20 486	-
Other Operating Grant Expenditure		2 546 254	1 487 900	-	1 487 900
Loss on disposal of PPE	11	6 309	130 758	40 460	90 298
Loss on disposal of Biological assets	14	77 193	-	-	-
General Expenses	32	19 107 497	13 382 823	119 159	13 263 664
<b>Total Expenditure</b>		<b>106 797 281</b>	<b>104 781 687</b>	<b>-2 553 192</b>	<b>107 334 879</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>24 546 682</b>	<b>9 914 130</b>	<b>1 990 767</b>	<b>7 923 363</b>

**SIYANCUMA LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	Accumulated Surplus/ (Deficit)	Total
		R	R
<b>Balance at 1 July 2012</b>		<b>278 023 581</b>	<b>278 023 581</b>
Correction of error	33.10	-56 876 575	-56 876 575
<b>Restated Balance at 1 July 2012</b>		<b>221 147 006</b>	<b>221 147 006</b>
Net Surplus for the year		7 923 363	7 923 363
Correction of error	33.11	1 990 767	1 990 767
Rounding		34	34
<b>Restated Balance at 1 July 2013</b>		<b>231 061 170</b>	<b>231 061 170</b>
Net Surplus for the year		24 546 682	24 546 682
Rounding		(59)	-59
<b>Balance at 30 June 2014</b>		<b>255 607 793</b>	<b>255 607 793</b>

**SIYANCUMA LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 R	2013 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		59 859 003	17 383 705
Government - operating		42 690 668	38 250 268
Government - capital		24 191 703	27 022 396
Interest		937 226	1 435 926
<b>Payments</b>			
Suppliers and employees		(99 277 970)	(71 540 827)
Finance charges		(1 686 854)	(2 083 167)
Transfers and Grants		-	-
<b>Net Cash from Operating Activities</b>	<b>34</b>	<b>26 713 775</b>	<b>10 468 302</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	11	(21 860 250)	(27 194 985)
Proceeds on Disposal of Fixed Assets		163 737	1 750 640
Purchase of Intangible Assets	13	(266 999)	(47 149)
Proceeds on Disposal of Biococial Assets	14	28 067	-
<b>Net Cash from Investing Activities</b>		<b>-21 935 445</b>	<b>(25 491 494)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans raised		-	1 637 581
Loans (repaid)		(2 482 987)	(3 298 902)
Increase/(Decrease) in Consumer Deposits		(22 771)	12 173
Rounding		(56)	38
<b>Net Cash from Financing Activities</b>		<b>(2 505 814)</b>	<b>-1 649 110</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2 272 517</b>	<b>-16 672 303</b>
Cash and Cash Equivalents at the beginning of the year		7 185 754	23 858 057
Cash and Cash Equivalents at the end of the year	35	9 458 271	7 185 754
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2 272 517</b>	<b>-16 672 303</b>



**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	952 724	21 509 240	(20 556 516)	Revenue not realised as expected
Call investment deposits	8 505 547	-	8 505 547	Late implementation of projects
Consumer debtors	41 385 583	3 000 892	38 384 691	Debt collection not effective due to vacancies
Other Receivables	875 146	-	875 146	An effort was made to clear other/receivables debtors
Current portion of long-term receivables	-	-	-	
Inventory	501 810	-	501 810	Not budgeted for
<b>Total current assets</b>	<b>52 220 810</b>	<b>24 510 132</b>	<b>27 710 678</b>	
<b>Non current assets</b>				
Long-term receivables	149 410	-	149 410	Not budgeted for
Investments	-	-	-	
Investment property	9 982 000	-	9 982 000	
Property, plant and equipment	259 181 281	312 610 723	(53 429 442)	Variance due to restatement of land and buildings within the asset register
Biological Assets	480 915	-	480 915	Value of game increased
Intangible Assets	633 594	-	633 594	Not budgeted for
Heritage Assets	-	-	-	
<b>Total non current assets</b>	<b>270 427 200</b>	<b>312 610 723</b>	<b>(42 183 523)</b>	
<b>TOTAL ASSETS</b>	<b>322 648 010</b>	<b>337 120 855</b>	<b>(14 472 845)</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	-	-	-	
Borrowing	2 266 294	564 776	1 701 518	Partly replacement of fleet and electronic equipment
Consumer deposits	164 784	-	164 784	
Trade and other payables	35 932 731	29 485 587	6 447 144	Increased spending on consumption of services
Provisions and Employee Benefits	6 319 989	-	6 319 989	Not included in the A schedules
<b>Total current liabilities</b>	<b>44 683 799</b>	<b>30 050 363</b>	<b>14 633 436</b>	
<b>Non current liabilities</b>				
Borrowing	4 767 981	3 312 382	1 455 599	Partly replacement of fleet and electronic equipment
Provisions and Employee Benefits	17 588 437	16 455 211	1 133 226	Not included in the A schedules
<b>Total non current liabilities</b>	<b>22 356 418</b>	<b>19 767 593</b>	<b>2 588 825</b>	
<b>TOTAL LIABILITIES</b>	<b>67 040 217</b>	<b>49 817 956</b>	<b>17 222 261</b>	
<b>NET ASSETS</b>	<b>71 808 199</b>	<b>287 302 899</b>	<b>(215 494 700)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	255 607 793	359 743 680	(104 135 887)	
Reserves	-	-	-	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>255 607 793</b>	<b>359 743 680</b>	<b>(104 135 887)</b>	

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material adjustments
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	21 509 240	-	21 509 240	
Call investment deposits	-	-	-	
Consumer debtors	3 000 892	-	3 000 892	
Other Receivables	-	-	-	
Current portion of long-term receivables	-	-	-	
Inventory	-	-	-	
<b>Total current assets</b>	<u>24 510 132</u>	<u>-</u>	<u>24 510 132</u>	
<b>Non current assets</b>				
Long-term receivables	-	-	-	
Investments	-	-	-	
Investment property	-	-	-	
Property, plant and equipment	312 610 723	-	312 610 723	
Biological Assets	-	-	-	
Intangible Assets	-	-	-	
Heritage Assets	-	-	-	
<b>Total non current assets</b>	<u>312 610 723</u>	<u>-</u>	<u>312 610 723</u>	
<b>TOTAL ASSETS</b>	<u><u>337 120 855</u></u>	<u><u>-</u></u>	<u><u>337 120 855</u></u>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	-	-	-	
Borrowing	564 776	-	564 776	
Consumer deposits	-	-	-	
Trade and other payables	29 485 587	-	29 485 587	
Provisions and Employee Benefits	-	-	-	
<b>Total current liabilities</b>	<u>30 050 363</u>	<u>-</u>	<u>30 050 363</u>	
<b>Non current liabilities</b>				
Borrowing	3 312 382	-	3 312 382	
Provisions and Employee Benefits	16 455 211	-	16 455 211	
<b>Total non current liabilities</b>	<u>19 767 593</u>	<u>-</u>	<u>19 767 593</u>	
<b>TOTAL LIABILITIES</b>	<u><u>49 817 956</u></u>	<u><u>-</u></u>	<u><u>49 817 956</u></u>	
<b>NET ASSETS</b>	<u><u>287 302 899</u></u>	<u><u>-</u></u>	<u><u>287 302 899</u></u>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	359 743 680	-	359 743 680	
Reserves	-	-	-	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<u><u>359 743 680</u></u>	<u><u>-</u></u>	<u><u>359 743 680</u></u>	

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	<b>2014</b> <b>R</b> <b>(Actual)</b>	<b>2014</b> <b>R</b> <b>(Final Budget)</b>	<b>2014</b> <b>R</b> <b>(Variance)</b>	<b>Explanations for material variances</b>
<b>REVENUE BY SOURCE</b>				
Property rates	7 620 826	9 325 967	(1 705 141)	Budgeted income not realised due to economic decline
Property rates - penalties & collection charges	-	-	-	
Service charges	41 988 033	58 830 023	(16 841 990)	Budgeted income not realised due to economic decline
Rental of facilities and equipment	409 604	1 166 952	(757 348)	
Interest earned - external investments	307 316	260 000	47 316	Slow spending on grants resulted in grant funds being invested
Interest earned - outstanding debtors	629 910	629 000	910	
Dividends received	-	-	-	
Fines	86 940	2 172 554	(2 085 614)	Traffic service not fully operational
Licences and permits	913 975	450 000	463 975	Incorrectly budgeted
Agency services	-	711 068	(711 068)	Incorrectly budgeted
Government Grants and Subsidies - Operating	42 690 668	40 129 512	2 561 156	Greater grant funding received during the year
Other revenue	12 377 004	506 233	11 870 771	Change in non-cash items
Gains on disposal of PPE	127 984	-	127 984	
<b>Total Operating Revenue</b>	<b>107 152 260</b>	<b>114 181 309</b>	<b>(7 029 049)</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	38 671 576	43 142 308	(4 470 732)	Vacancies not filled eg. Corporate Manager
Remuneration of councillors	3 388 009	3 095 899	292 110	Normal yearly increase
Debt impairment	90 856	11 158 500	(11 067 644)	Change in non-cash items
Depreciation & asset impairment	9 434 870	13 558 679	(4 123 809)	Normal change in depreciation
Finance charges	1 686 854	435 323	1 251 531	Increase in provision of landfill sites
Bulk purchases	28 699 973	30 150 000	(1 450 027)	Development provided for in budget not realised
Other materials	-	-	-	
Contracted services	-	3 622 000	(3 622 000)	Incorrect classification in budget, budgeted for in general expense
Grants and subsidies paid	-	-	-	
Other expenditure	24 720 670	32 519 075	(7 798 405)	Due to cash flow constraints, general expenses were limited
Loss on disposal of PPE	83 502	-	83 502	Not budgeted for
<b>Total Operating Expenditure</b>	<b>106 776 310</b>	<b>137 681 783</b>	<b>(30 905 473)</b>	
<b>Operating Surplus/(Deficit) for the year</b>	<b>375 950</b>	<b>(23 500 474)</b>	<b>23 876 424</b>	
Government Grants and Subsidies - Capital	24 191 703	-	24 191 703	Budgeted for rollover which didn't realise
<b>Net Surplus/(Deficit) for the year</b>	<b>24 567 653</b>	<b>(23 500 474)</b>	<b>48 068 127</b>	

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
<b>REVENUE BY SOURCE</b>				
Property rates	9 325 967	-	9 325 967	
Property rates - penalties & collection charges	-	-	-	
Service charges	56 203 918	2 626 105	58 830 023	The approved budget was adjusted according to the half yearly figures which did not materialize
Rental of facilities and equipment	1 005 246	161 706	1 166 952	The approved budget was adjusted according to the half yearly figures which did not materialize
Interest earned - external investments	260 000	-	260 000	
Interest earned - outstanding debtors	529 680	99 320	629 000	Debtors increased due to economic climate
Dividends received	-	-	-	
Fines	7 324 151	(5 151 597)	2 172 554	Traffic department was not operational as expected
Licences and permits	-	450 000	450 000	Budgeted for under fines
Agency services	711 068	-	711 068	The approved budget was adjusted according to the half yearly figures which did not materialize
Government Grants and Subsidies - Operating	40 275 573	(146 061)	40 129 512	The approved budget was adjusted according to the half yearly figures which did not materialize
Other revenue	418 615	87 618	506 233	Actual revenue as at mid year was more than anticipated
Gains on disposal of PPE	-	-	-	
<b>Total Operating Revenue</b>	<b>116 054 218</b>	<b>(1 872 909)</b>	<b>114 181 309</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	43 048 610	93 698	43 142 308	Budgeted for vacant positions
Remuneration of councillors	3 187 467	(91 568)	3 095 899	Adjustment due to the Government notice issued in December
Debt impairment	8 000 000	3 158 500	11 158 500	Provided for additional services based on mid year expenditure report
Depreciation & asset impairment	9 373 118	4 185 561	13 558 679	Due to review of finance lease contracts and capital expenditure to date
Finance charges	450 406	(15 083)	435 323	
Bulk purchases	30 350 000	(200 000)	30 150 000	Expected expansion on development did not materialize
Other materials	-	-	-	
Contracted services	3 457 000	165 000	3 622 000	Provided for additional services based on mid year expenditure report
Grants and subsidies paid	-	-	-	
Other expenditure	34 368 504	(1 849 429)	32 519 075	Provided for reduced expenditure based on mid year expenditure report
Loss on disposal of PPE	-	-	-	
<b>Total Operating Expenditure</b>	<b>132 235 105</b>	<b>5 446 678</b>	<b>137 681 783</b>	
<b>Operating Deficit for the year</b>	<b>(16 180 887)</b>	<b>(7 319 587)</b>	<b>(23 500 474)</b>	
Government Grants and Subsidies - Capital	-	-	-	
<b>Net Deficit for the year</b>	<b>(16 180 887)</b>	<b>(7 319 587)</b>	<b>(23 500 474)</b>	

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	59 859 003	64 949 019	(5 090 016)	Low collection rate
Government - operating	42 690 668	40 129 512	2 561 156	Received extra grant funding
Government - capital	24 191 703	43 817 982	(19 626 279)	Slow capital project implementation
Interest	937 226	889 000	48 226	Slow spending on capital grants results in funds being invested in call deposit account
Dividends	-	-	-	
<b>Payments</b>				
Suppliers and Employees	(99 277 970)	(105 398 761)	6 120 791	Low cash flow, limited expenditure
Finance charges	(1 686 854)	(435 323)	(1 251 531)	Due to expense of finance leases
Transfers and Grants	-	(7 451 653)	7 451 653	Budgeted for under general expenditure
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>26 713 775</b>	<b>36 499 776</b>	<b>(9 786 001)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	191 804	-	191 804	Disposal of assets was not foreseen
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
<b>Payments</b>				
Capital assets	(22 127 249)	(35 935 000)	13 807 751	Slow spending on capital projects
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>-21 935 445</b>	<b>(35 935 000)</b>	<b>13 999 555</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	(22 771)	-	(22 771)	
<b>Payments</b>				
Repayment of borrowing	(2 482 987)	(564 776)	(1 918 211)	Loans redeemed during the year not adjusted in budget
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-2 505 758</b>	<b>(564 776)</b>	<b>-1 940 982</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>2 272 572</b>	<b>(0)</b>	<b>2 272 573</b>	
Cash and Cash Equivalents at the beginning of the year	7 185 754	10 175 640	(2 989 886)	
Cash and Cash Equivalents at the end of the year	(9 458 271)	10 175 640	(19 633 911)	

**SIYANCUMA LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	83 201 946	(18 252 927)	64 949 019	Property rates and service charges adjusted due to mid year actuals
Government - operating	40 275 573	(146 061)	40 129 512	
Government - capital	25 905 000	17 912 982	43 817 982	Budget increased due to approval of MIG roll over
Interest	789 680	99 320	889 000	Low spending on unspent grants resulted in funds being invested in a call deposit account
Dividends	-	-	-	
<b>Payments</b>				
Suppliers and Employees	(114 970 811)	9 572 050	(105 398 761)	Decrease in employee related cost, consultancy fees and general expenditure
Finance charges	(450 406)	15 083	(435 323)	
Transfers and Grants	(7 671 643)	219 990	(7 451 653)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>27 079 339</b>	<b>9 420 437</b>	<b>36 499 776</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
<b>Payments</b>				
Capital assets	(26 515 000)	(9 420 000)	(35 935 000)	Additional grant funding allocated
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(26 515 000)</b>	<b>(9 420 000)</b>	<b>(35 935 000)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
<b>Payments</b>				
Repayment of borrowing	(564 776)	-	(564 776)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-564 776</b>	<b>-</b>	<b>(564 776)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(437)</b>	<b>437</b>	<b>(0)</b>	
Cash and Cash Equivalents at the beginning of the year	10 175 640	-	10 175 640	
Cash and Cash Equivalents at the end of the year	10 175 203	437	10 175 640	Made provision for a decrease in cash at the end of the year due to decrease in debt collection

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

**1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements..

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.



*SIYANCUMA MUNICIPALITY*

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 6 (Revised – Nov 2010)</b>	<p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	<b>Unknown</b>
<b>GRAP 8 (Revised – Nov 2010)</b>	<p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<b>Unknown</b>
<b>GRAP 18 (Original – Feb 2011)</b>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	<b>1 April 2015</b>

*SIYANCUMA MUNICIPALITY*

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>GRAP 20</b> <b>(Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32</b> <b>(Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 105</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 106</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 107</b> <b>(Original – Nov 2010)</b>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and</p>	<b>1 April 2015</b>

*SIYANCUMA MUNICIPALITY*

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<p>combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	
<b>GRAP 108 (Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>Unknown</b>
<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>Unknown</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<b>Unknown</b>
<b>IGRAP 17</b>	<p><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b></p> <p>The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangements at this stage.</p>	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## 1.9. LEASES

### 1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### 1.9.2 *Municipality as Lessor*

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

**1.12. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.13. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

**1.14. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal

## SIYANCUMA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

#### 1.14.1 *Post Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.14.2 *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.14.3 *Provision for Staff Leave*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**1.14.4 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

**1.14.5 Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**1.14.6 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.14.7 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- 
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

**1.15. PROPERTY, PLANT AND EQUIPMENT**

**1.15.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

**1.15.3 Depreciation and Impairment**

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Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	55-60	Buildings	6-105
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-85	Other vehicles	8-12
Water	5-70	Office equipment	3-7
Sewerage	10-75	Furniture and fittings	1-35
Housing	30	Watercraft	15
		Bins and containers	5
<b><u>Community</u></b>		Specialised plant and	
Buildings	6-105	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	50-105	Landfill sites	15
Libraries	30-105	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	1-35	Computer equipment	1-20
<b><u>Finance lease assets</u></b>			
Office equipment	3-11		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.15.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.16. INTANGIBLE ASSETS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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**1.16.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**1.16.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.16.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are

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reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	5-10

**1.16.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17. INVESTMENT PROPERTY**

**1.17.1 Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.17.2 Subsequent Measurement – Cost Model**

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **1.17.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

#### **1.17.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.18 HERITAGE ASSETS**

#### **1.18.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### **1.18.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### **1.18.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment

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recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.18.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

**1.19 BIOLOGICAL ASSETS**

**1.19.1 Initial Recognition**

A biological asset or agricultural produce is recognised when, and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

**1.19.2 Subsequent Measurement**

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry at hunting prices. Game is considered to be consumable/bearer biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

**1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.20.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
  - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
  - Evidence is available of obsolescence or physical damage of an asset.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
  - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the

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last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.20.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
  - Cessation, or near cessation, of the demand or need for services provided by the asset.
  - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- (b) Internal sources of information
  - Evidence is available of physical damage of an asset.
  - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
  - A decision to halt the construction of the asset before it is complete or in a usable condition.
  - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing



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asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

## 1.21. INVENTORIES

### 1.21.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured,

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### **1.21.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

#### **1.22. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### **1.22.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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**1.22.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.22.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.22.2.2 Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.22.2.3 Cash and Cash Equivalents**

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### 1.22.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### 1.22.3 **De-recognition of Financial Instruments**

##### 1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the

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extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.22.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.22.4 *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

**1.23. REVENUE**

**1.23.1 *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

## *SIYANCUMA MUNICIPALITY*

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.23.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

## *SIYANCUMA MUNICIPALITY*

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.24. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.



**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager,

## *SIYANCUMA MUNICIPALITY*

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.25. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.26. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.27. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent

## **SIYANCUMA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### **1.29.1 *Post-retirement medical obligations and Long service awards***

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### **1.29.2 *Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

##### **1.29.3 *Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

## **SIYANCUMA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
  - Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
  - The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

#### **1.29.4 Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

#### **1.29.5 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

#### **1.29.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### **1.29.7 Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.29.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

**1.29.9 Provision for Task Implementation**

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

**1.29.10 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.29.11 Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

**1.29.12 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days worth of unused electricity.

**1.29.13 Componentisation of Infrastructure assets**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.30. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.31. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.32. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairment Charge R	Disposals R	Closing Balance R	R
<b>30 June 2014</b>										
<b>Land and Buildings</b>	45 131 943	16 316	-3 000	45 145 259	931 791	156 484	-	-	1 088 276	44 056 983
Land	28 536 439	-	-3 000	28 533 439	-	-	-	-	-	28 533 439
Buildings	16 595 504	16 316	-	16 611 820	931 791	156 484	-	-	1 088 276	15 523 544
<b>Infrastructure</b>	283 708 039	21 200 907	-	304 908 945	117 927 186	6 630 360	-	-	124 557 546	180 351 399
Road Network	66 700 522	10 287 446	-	76 987 968	32 968 879	1 981 035	-	-	34 949 914	42 038 054
Sanitation Network	64 803 560	8 243 143	-	73 046 703	28 539 581	1 381 532	-	-	29 921 113	43 125 590
Electricity Network	49 216 904	1 408 842	-	50 625 747	16 873 969	1 070 931	-	-	17 944 900	32 680 847
Water Network	97 983 532	1 261 475	-	99 245 008	36 281 298	2 105 192	-	-	38 386 490	60 858 518
Stormwater Network	5 003 520	-	-	5 003 520	3 263 458	91 671	-	-	3 355 129	1 648 391
<b>Community Assets</b>	23 456 223	64 294	-	23 520 517	761 980	127 588	-	-	889 568	22 630 949
Library	300 100	64 294	-	364 394	15 534	4 854	-	-	20 388	344 006
Cemetery	176 000	-	-	176 000	10 551	1 742	-	-	12 293	163 707
Commonage	5 374 000	-	-	5 374 000	-	-	-	-	-	5 374 000
Community Halls	1 259 123	-	-	1 259 123	74 015	12 712	-	-	86 728	1 172 395
Game Farm	8 171 000	-	-	8 171 000	-	-	-	-	-	8 171 000
Holiday Resort	6 940 000	-	-	6 940 000	416 051	68 673	-	-	484 725	6 455 275
Sport Facilities	1 236 000	-	-	1 236 000	245 828	39 607	-	-	285 435	950 565
<b>Lease Assets</b>	4 716 366	1 006 606	-86 985	5 635 987	614 230	894 691	-	-54 232	1 454 689	4 181 297
Office Equipment	4 716 366	1 006 606	-86 985	5 635 987	614 230	894 691	-	-54 232	1 454 689	4 181 297
<b>Other Assets</b>	10 747 187	578 734	-8 123	11 317 798	2 550 705	1 134 998	99 423	-1 814	3 783 313	7 534 486
Air Conditioner	460 760	70 186	-	530 946	255 576	31 766	-	-	287 342	243 604
Chairs	213 028	47 253	-	260 281	105 128	20 561	-	-	125 690	134 592
Electronic Equipment	666 932	74 215	-	741 147	86 901	101 884	-	-	188 786	552 361
Motor Vehicles	685 990	-	-	685 990	126 437	68 825	-	-	195 261	490 728
Furniture & Fittings	575 879	32 616	-	608 495	255 682	40 438	-	-	296 120	312 375
Office Equipment	13 298	-	-	13 298	10 077	758	-	-	10 835	2 463
Trailers	189 746	-	-	189 746	108 695	14 970	-	-	123 665	66 081
Tables and desks	193 487	-	-	193 487	83 042	12 321	-	-	95 363	98 123
Tractors	211 000	-	-	211 000	64 529	19 759	-	-	84 287	126 713
Trucks	6 145 739	8 303	-	6 154 042	1 016 988	644 446	99 423	-	1 760 857	4 393 185
Works Equipment	474 558	28 924	-	503 482	101 254	57 483	-	-	158 737	344 745
Computer hardware	916 771	317 237	-8 123	1 225 885	336 397	121 786	-	-1 814	456 369	769 516
	367 759 758	22 866 856	-98 108	390 528 506	122 785 893	8 944 121	99 423	-56 046	131 773 391	258 755 115

30 June 2013

<b>Land and Buildings</b>	45 378 247	77 696	-324 000	45 131 943	777 181	154 611	-	-	931 791	44 200 152
Land	28 860 439	-	-324 000	28 536 439	-	-	-	-	-	28 536 439
Balance previously reported	21 876 600	-	-324 000	21 552 600	-	-	-	-	-	21 552 600
Correction of error - Note 33.06	6 983 839	-	-	6 983 839	-	-	-	-	-	6 983 839
Buildings	16 517 808	77 696	-	16 595 504	777 181	154 611	-	-	931 791	15 663 713
Balance previously reported	9 976 000	77 696	-	10 053 696	499 345	98 715	-	-	598 060	9 455 636
Correction of error - Note 33.06	6 541 808	-	-	6 541 808	277 836	55 895	-	-	333 731	6 208 076
<b>Infrastructure</b>	259 241 982	24 466 057	-	283 708 039	111 670 979	6 256 207	-	-	117 927 186	165 780 852
Road Network	58 232 645	8 467 877	-	66 700 522	31 003 739	1 965 141	-	-	32 968 879	33 731 643
Balance previously reported	58 232 645	8 484 678	-	66 717 322	9 553 265	2 100 839	-	-	11 654 104	55 063 218
Correction of error - Note 33.06	-	-16 800	-	-16 800	21 450 474	-135 699	-	-	21 314 775	-21 331 576

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

		Cost				Accumulated Depreciation			Carrying Value	
		Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairment Charge R	Disposals R	Closing Balance R
										R
Sanitation Network		64 460 578	342 982	-	64 803 560	27 388 503	1 151 078	-	-	28 539 581
Balance previously reported		64 460 578	376 700	-	64 837 278	10 507 575	2 213 834	-	-	12 721 408
Correction of error - Note	33.06	-	-33 717	-	-33 717	16 880 929	-1 062 756	-	-	15 818 173
Electricity Network		48 070 501	1 146 404	-	49 216 904	15 910 257	963 713	-	-	16 873 969
Balance previously reported		48 070 501	1 146 404	-	49 216 904	8 950 883	1 785 399	-	-	10 736 282
Correction of error - Note	33.06	-	-	-	-	6 959 374	-821 687	-	-	6 137 687
Water Network		83 474 739	14 508 793	-	97 983 532	34 196 693	2 084 605	-	-	36 281 298
Balance previously reported		83 474 739	14 458 276	-	97 933 015	12 867 728	2 667 285	-	-	15 535 013
Correction of error - Note	33.06	-	50 518	-	50 518	21 328 965	-582 679	-	-	20 746 285
Stormwater Network		5 003 520	-	-	5 003 520	3 171 787	91 671	-	-	3 263 458
Balance previously reported		5 003 520	-	-	5 003 520	926 495	173 748	-	-	1 100 243
Correction of error - Note	33.06	-	-	-	-	2 245 292	-82 077	-	-	2 163 215
<b>Community Assets</b>		<b>23 375 500</b>	<b>80 723</b>	<b>-</b>	<b>23 456 223</b>	<b>636 576</b>	<b>125 404</b>	<b>-</b>	<b>-</b>	<b>761 980</b>
Libraries		244 500	55 600	-	300 100	12 399	3 135	-	-	15 534
Cemetery		176 000	-	-	176 000	8 810	1 742	-	-	10 551
Commonage		5 374 000	-	-	5 374 000	-	-	-	-	-
Community Halls		1 234 000	25 123	-	1 259 123	61 767	12 248	-	-	74 015
Game Farm		8 171 000	-	-	8 171 000	-	-	-	-	-
Holiday Resort		6 940 000	-	-	6 940 000	347 378	68 673	-	-	416 051
Sport Facilities		1 236 000	-	-	1 236 000	206 221	39 607	-	-	245 828
<b>Heritage Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Historical Buildings		9 000	-	-	9 000	-	-	-	-	-
Transfer to Land and Buildings		-9 000	-	-	-9 000	-	-	-	-	-
<b>Lease Assets</b>		<b>3 882 669</b>	<b>4 040 419</b>	<b>-3 206 721</b>	<b>4 716 366</b>	<b>1 184 908</b>	<b>1 134 799</b>	<b>-</b>	<b>-1 705 477</b>	<b>614 230</b>
Office Equipment		3 882 669	4 040 419	-3 206 721	4 716 366	1 184 908	1 134 799	-	-1 705 477	614 230
<b>Other Assets</b>		<b>7 817 065</b>	<b>3 371 064</b>	<b>-440 941</b>	<b>10 747 187</b>	<b>2 071 226</b>	<b>904 726</b>	<b>-</b>	<b>-425 247</b>	<b>2 550 705</b>
Air Conditioner		452 605	57 542	-49 386	460 760	258 942	44 434	-	-47 801	255 576
Chairs		194 399	34 456	-15 827	213 028	92 847	27 301	-	-15 020	105 128
Electronic Equipment		133 318	562 078	-28 464	666 932	70 641	43 593	-	-27 333	86 901
Motor vehicles		685 990	-	-	685 990	61 162	65 274	-	-	126 437
Furniture & Fittings		567 434	49 226	-40 780	575 879	235 852	58 437	-	-38 607	255 682
Office Equipment		19 947	-	-6 649	13 298	13 678	2 838	-	-6 439	10 077
Trailer		211 061	-	-21 316	189 746	99 048	33 913	-	-24 267	108 695
Tables and desks		159 900	51 887	-18 300	193 487	83 511	17 092	-	-17 561	83 042
Tractors		211 000	-	-	211 000	51 718	12 811	-	-	64 529
Trucks		4 027 540	2 118 199	-	6 145 739	672 311	344 677	-	-	1 016 988
Works Equipment		445 718	111 392	-82 552	474 558	79 423	99 358	-	-77 527	101 254
Computer hardware		708 153	386 285	-177 667	916 771	352 092	154 997	-	-170 692	336 397
		<b>339 695 462</b>	<b>32 035 958</b>	<b>-3 971 662</b>	<b>367 759 758</b>	<b>116 340 870</b>	<b>8 575 747</b>	<b>-</b>	<b>-2 130 724</b>	<b>122 785 893</b>
										<b>244 973 865</b>



**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2

**LONG TERM LIABILITIES**

Annuity Loans - At amortised cost  
Capitalised Lease Liability - At amortised cost  
Balance as previously reported  
Correction of Long term liabilities against statement of financial performance - loss on disposal of ppe (Nashua finance lease contract 4 incorrectly stopped)

2014 R	2013 R
2 467 488	3 272 114
4 566 788	5 238 543
-	5 200 439
33.02 -	38 103
<b>7 034 276</b>	<b>8 510 657</b>
<b>2 266 294</b>	<b>2 139 988</b>
804 621	804 621
1 461 673	1 335 367
<b>4 767 981</b>	<b>6 370 669</b>

**Less:** Current Portion transferred to Current Liabilities

Annuity Loans - At amortised cost  
Capitalised Lease Liability - At amortised cost

**Total Long-term Liabilities - At amortised cost using the effective interest rate method**

804 621	804 621
1 461 673	1 335 367
<b>4 767 981</b>	<b>6 370 669</b>

The obligations under annuity loans are scheduled below

Amounts payable under annuity loans:

Payable within one year  
Payable within two to five years  
Payable after five years

2014 R	2013 R
<b>Minimum annuity payments</b>	
1 112 506	1 112 506
1 730 449	2 842 949
-	-
2 842 955	3 955 455
(375 467)	(683 352)
<b>2 467 488</b>	<b>3 272 103</b>

**Less:** Future finance obligations

**Present value of annuity obligations**

Annuity loans at amortised cost is calculated at 10%-16.05% interest rate, with maturity date of 1 September 2017. The loans are unsecured

The obligations under finance leases are scheduled below

Amounts payable under finance leases:

Payable within one year  
Payable within two to five years  
Payable after five years

2014 R	2013 R
<b>Minimum lease payments</b>	
1 835 940	1 753 629
3 441 625	4 440 056
-	-
5 277 566	6 193 685
(710 779)	(955 143)
<b>4 566 787</b>	<b>5 238 542</b>

**Less:** Future finance obligations

**Present value of lease obligations**

Finance lease agreement is calculated at an interest rate of 9%-11%. With a last maturity date of 28 February 2019.

Refer to note 11 for the finance lease assets capitalised

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

For each class of finance lease liability, the net carrying amount at the reporting date:

Description of leased item	Effective Interest	Lease Term	Maturity Date	2014 R	2013 R
Nashua - GK500568-500586	11.0%	5	2015/10/30	163 010	622 583
PABX - MP 2000 and DTPC 430	9.0%	5	2016/07/30	64 748	91 785
CCTV camera P10400003	9.0%	3	2015/03/31	31 634	70 635
MP 201 SPF	9.0%	5	2016/11/30	28 132	38 103
PABX - PA 188918	9.0%	5	2017/01/31	100 569	133 659
Various A	9.0%	5	2015/12/31	-	14 983
Various B	9.0%	5	2015/10/31	-	28 695
Various (R15200)	8.5%	5	2017/11/30	614 713	763 461
Various (R46000)	8.5%	5	2018/02/28	1 976 454	2 417 181
Clocking System	8.5%	5	2017/10/30	164 290	205 190
CCTV System	8.5%	5	2018/05/01	102 180	123 813
Various (R27000)	8.5%	3	2015/08/31	408 806	728 455
Various (R15000)	9.0%	5	2019/02/28	683 845	-
Cisco Router	9.0%	3	2016/11/30	228 406	-
				<b>4 566 788</b>	<b>5 238 543</b>

The depreciation and the finance charge relating to the leased asset was included as part of the total depreciation and finance charges respectively. Please refer to note 11 and note 29

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
3	<b>EMPLOYEE BENEFITS</b>		
	Post Retirement Benefits	3.1 11 467 883	9 888 942
	Long Service Awards	3.2 1 671 947	1 550 658
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>13 139 830</b>	<b>11 439 600</b>
	<b><u>Post Retirement Benefits</u></b>		
	Balance 1 July	10 266 930	8 892 129
	Contribution for the year	(401 058)	(340 013)
	Expenditure for the year	1 242 093	1 058 452
	Actuarial Loss/(Gain)	808 070	656 362
	<b>Total post retirement benefits 30 June</b>	<b>11 916 035</b>	<b>10 266 930</b>
	<b>Less:</b> Transfer of Current Portion	6 (448 152)	(377 988)
	<b>Balance 30 June</b>	<b>11 467 883</b>	<b>9 888 942</b>
	<b><u>Long Service Awards</u></b>		
	Balance 1 July	1 798 038	1 421 424
	Contribution for the year	(214 146)	(93 705)
	Expenditure for the year	251 427	227 015
	Actuarial Loss	52 487	243 304
	<b>Total long service 30 June</b>	<b>1 887 806</b>	<b>1 798 038</b>
	<b>Less:</b> Transfer of Current Portion	6 (215 859)	(247 380)
	<b>Balance 30 June</b>	<b>1 671 947</b>	<b>1 550 658</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance 1 July	12 064 968	10 313 553
	Contribution for the year	(615 204)	(433 718)
	Expenditure for the year	1 493 520	1 285 467
	Actuarial Loss/(Gain)	860 557	899 666
	<b>Total employee benefits 30 June</b>	<b>13 803 841</b>	<b>12 064 968</b>
	<b>Less:</b> Transfer of Current Portion	6 (664 011)	(625 368)
	<b>Balance 30 June</b>	<b>13 139 830</b>	<b>11 439 600</b>
3.1	<b>Post Retirement Benefits</b>		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
		<b>2014 Number of members</b>	<b>2013 Number of members</b>
	In-service (employee) members	38	39
	Continuation members (e.g. Retirees, widows, orphans)	13	12
	<b>Total Members</b>	<b>51</b>	<b>51</b>
		<b>R</b>	<b>R</b>
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	5 768 210	4 969 926
	Continuation members	6 147 825	5 297 004
	<b>Total Liability</b>	<b>11 916 035</b>	<b>10 266 930</b>
		<b>2012 R</b>	<b>2011 R</b>
	In-service members	4 395 388	4 807 030
	Continuation members	4 496 741	3 730 823
	<b>Total Liability</b>	<b>8 892 129</b>	<b>5 537 853</b>
		<b>2010 R</b>	<b>2009 R</b>
	In-service members	2 612 239	2 612 239
	Continuation members	2 966 322	2 966 322
	<b>Total Liability</b>	<b>5 578 561</b>	<b>5 578 561</b>

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>3</b>	<b>EMPLOYEE BENEFITS (CONTINUE)</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>
	Experience adjustments were calculated as follows:	<b>Rm</b>	<b>Rm</b>
	Liabilities: (Gain) / loss	0.455	0.822
	Assets: Gain / (loss)	-	-
	The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:		
		<b>2012</b> <b>Rm</b>	<b>2011</b> <b>Rm</b>
	Liabilities: (Gain) / loss	(1.008)	1.655
	Assets: Gain / (loss)	-	-
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	Bonitas LA Health	Keyhealth Hosmed	Samwumed
	The Municipality's Accrued Unfunded Liability at 30 June 2014 is estimated at R11.916 million. The Current-service Cost for the year ending 30 June 2014 is estimated at R379 318. It is estimated to be R399 706 for the ensuing year.		
	Key actuarial assumptions used:	<b>2014</b> <b>%</b>	<b>2013</b> <b>%</b>
	<b>i) Rate of interest</b>		
	Discount rate	8.89%	8.56%
	Health Care Cost Inflation Rate	8.12%	7.60%
	Net Effective Discount Rate	0.71%	0.89%
	<b>ii) Mortality rates</b>		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
	<b>iii) Normal retirement age</b>		
	It has been assumed that in-service members will retire at ages 65 (male) and 60 (female), which then implicitly allows for expected rates of early and ill-health retirement.		
		<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>
	<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
	Present value of fund obligations	11 916 035	10 266 930
	<b>Net liability/(asset)</b>	<b>11 916 035</b>	<b>10 266 930</b>
	The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).		

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>3 EMPLOYEE BENEFITS (CONTINUE)</b>		
<b>Reconciliation of present value of fund obligation</b>		
Present value of fund obligation at the beginning of the year	10 266 930	8 892 129
Total expenses	841 035	718 439
Current service cost	379 318	377 321
Interest Cost	862 775	681 131
Benefits Paid	(401 058)	(340 013)
Actuarial (gains)/losses	808 070	656 362
Present value of fund obligation at the end of the year	11 916 035	10 266 930
<b>Less:</b> Transfer of Current Portion	6 (448 152)	(377 988)
<b>Balance 30 June</b>	<b>11 467 883</b>	<b>9 888 942</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
<b>Central Assumptions</b>		5.768	6.148	11.916	
Health care inflation	1%	7.092	6.783	13.875	16%
Health care inflation	-1%	4.731	5.595	10.325	-13%
Discount Rate	1%	4.745	5.603	10.349	-13%
Discount Rate	-1%	7.095	6.785	13.880	16%
Post-retirement mortality	-1 year	5.979	6.401	12.380	4%
Average retirement age	-1 year	6.223	6.148	12.371	4%
Continuation of membership at retirement	-10%	5.175	6.148	11.323	-5%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Central Assumption</b>		379 300	862 800	1 242 100	
Health care inflation	1%	464 700	1 007 000	1 471 700	18%
Health care inflation	-1%	312 600	745 700	1 058 300	-15%
Post-retirement mortality	-1 year	392 600	896 100	1 288 700	4%
Average retirement age	-1 year	355 400	898 400	1 253 800	1%
Withdrawal Rate	-50%	421 500	904 400	1 325 900	7%

**3.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans. As at year end, 163 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2014 is R130 320. The Current-service Cost for the ensuing year has been estimated to be R 134 866.

Key actuarial assumptions used:

**i) Rate of interest**

	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
Discount rate	8.00%	7.22%
General Salary Inflation (long-term)	7.13%	6.71%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.81%	0.48%

Experience adjustments were calculated as follows:

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
Liabilities: (Gain) / loss	135 870	256 695
Assets: Gain / (loss)	-	-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Liabilities: (Gain) / loss	104 190	(82 311)	-
Assets: Gain / (loss)	-	-	-

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>3 EMPLOYEE BENEFITS (CONTINUE)</b>	<b>2014 R</b>	<b>2013 R</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	1 887 806	1 798 038
<b>Net liability/(asset)</b>	<b>1 887 806</b>	<b>1 798 038</b>
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
	<b>2012 R</b>	<b>2011 R</b>
<b>Total Liability</b>	<b>1 421 424</b>	<b>1 039 472</b>
	<b>2014 R</b>	<b>2013 R</b>
<b>Reconciliation of present value of fund obligation</b>		
Present value of fund obligation at the beginning of the year	1 798 038	1 421 424
Total expenses	37 281	133 310
Current service cost	130 320	138 445
Interest Cost	121 107	88 570
Benefits Paid	(214 146)	(93 705)
Actuarial (gains)/losses	52 487	243 304
Present value of fund obligation at the end of the year	1 887 806	1 798 038
<b>Less:</b> Transfer of Current Portion	6 (215 859)	(247 380)
<b>Balance as at 30 June</b>	<b>1 671 947</b>	<b>1 550 658</b>

<b>3 EMPLOYEE BENEFITS (CONTINUE)</b>	<b>2014 R</b>	<b>2013 R</b>
<b>Sensitivity Analysis on the Unfunded Accrued Liability</b>		
<b>Assumption</b>	<b>Change</b>	<b>Liability (Rm)</b>
Central assumptions		1.888
General salary inflation	1%	2.017
General salary inflation	-1%	1.771
Discount Rate	1%	1.765
Discount Rate	-1%	2.026
Average retirement age	-2 yrs.	1.660
Average retirement age	2 yrs	2.127
Withdrawal rates	-50%	2.159
		<b>2014 R</b>
		<b>2013 R</b>

**3.3 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 99.9% (30 June 2012 - 99.9%).

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% or 26.6% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 99.40% (30 June 2012 - 98.10%). Whilst this has decreased since the previous actuarial valuations it is still within the Registrar's normally acceptable range of at least a 95% funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

4	<b>NON-CURRENT PROVISIONS</b>	<b>2014 R</b>	<b>2013 R</b>
	Provision for Rehabilitation of Landfill-sites	4 448 607	4 178 333
	<b>Total Non-current Provisions</b>	<b>4 448 607</b>	<b>4 178 333</b>
 <u><b>Landfill Sites</b></u>			
	Balance 1 July	5 467 676	5 136 098
	Balance previously reported	-	4 947 449
	Correction of non-current provisions against accumulated surplus/(deficit) (Reversal of the opening balance of non-current provision - landfill sites 2012/2013)	33.03 -	(4 947 449)
	Correction of capitalised restoration cost against non-current provisions (Recording of corrected capital restoration cost and non-current provision opening balance 2012/2013)	33.03 -	1 576 435
	Correction of non-current provisions against accumulated surplus (Recording of non-current provision accrued interest until 30 June 2012)	33.03 -	3 559 663
	Increase in Estimate	96 974	99 117
	Balance previously reported	-	-
	Correction of capitalised restoration cost against non-current provision (Recording of capitalisation restoration and non-current provision addition for 2012/2013)	33.03 -	99 117
	Unwinding of discounted interest	257 430	232 461
	Balance previously reported	-	533 317
	Correction of non-current provisions against statement of financial performance - finance charges - landfill (Reversal of interest charge - land fill sites 2012/2013)	33.03 -	(533 317)
	Correction of non-current provisions against statement of financial performance - finance charges - landfill (Recording of interest charges against the non-current provision for 2012/2013)	33.03 -	232 461
	<b>Total provision 30 June</b>	<b>5 822 080</b>	<b>5 467 676</b>
	<b>Less:</b> Transfer of Current Portion to Current Provisions	7 (1 373 473)	(1 289 342)
	<b>Balance 30 June</b>	<b>4 448 607</b>	<b>4 178 333</b>

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u><b>Location</b></u>	<u><b>Estimated decommission date</b></u>	<u><b>Cost of rehabilitation</b></u>	<b>2014 R</b>	<b>2013 R</b>
Douglas	2037		3 214 805	3 008 246
Griekwastad	2024		1 233 802	1 170 087
Campbell	2014		1 373 473	1 289 342
			<b>5 822 080</b>	<b>5 467 676</b>

**Material Assumptions used**

	<b>2012</b>	<b>2013</b>	<b>2014</b>
Area of landfill site consumed			
Douglas	39.14%	65.89%	94.66%
Griekwastad	40.21%	66.88%	97.00%
Campbell	41.23%	67.81%	99.00%
Discount Rate used		4.53%	4.71%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

5	<b>CONSUMER DEPOSITS</b>	<b>2014 R</b>	<b>2013 R</b>
	Water & Electricity	164 784	187 555
	<b>Total Consumer Deposits</b>	<b>164 784</b>	<b>187 555</b>

The fair value of consumer deposits approximate their carrying value. No discounting of consumer deposits is being performed due to the uncertainty of the timing of future repayments. Interest is not paid on these amounts.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

6	CURRENT EMPLOYEE BENEFITS	2014 R	2013 R
	Current Portion of Post Retirement Benefits	3 448 152	377 988
	Current Portion of Long-Service Awards	3 215 859	247 380
	Bonuses	885 833	774 464
	Staff Leave	3 396 672	2 784 839
	<b>Total Current Employee Benefits</b>	<b>4 946 516</b>	<b>4 184 671</b>

The movement in current employee benefits are reconciled as follows:

**Bonuses**

Balance at beginning of year	774 464	583 060
Contribution to current portion	130 708	195 749
Expenditure incurred	-19 339	-4 345
Balance at end of year	<b>885 833</b>	<b>774 464</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle, that will only be paid out in the following year, November. There is no possibility of reimbursement.

**Staff Leave**

Balance at beginning of year	2 784 839	1 857 000
Contribution to current portion	825 248	1 239 976
Expenditure incurred	-213 415	-312 137
Balance at end of year	<b>3 396 672</b>	<b>2 784 839</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

7	PROVISIONS	2014 R	2013 R
	Current Portion of Rehabilitation of Landfill-sites	4 1 373 473	1 289 342
	<b>Total Provisions</b>	<b>1 373 473</b>	<b>1 289 342</b>

8	PAYABLES FROM EXCHANGE TRANSACTIONS	2014 R	2013 R
	Trade Payables	17 688 035	10 866 245
	Receivables with credit balances	441 320	334 249
	Momentum Salaries	3 160	-
	Sundry Payables	694 255	184 258
	Balance previously reported		79 215
	Correction of payables from exchange transactions against accumulated surplus/(deficit) (Correction of opening balance unused pre-paid electricity - 2011/2012)	33.09	67 853
	Correction of payables from exchange transactions against statement of financial performance - service charges - electricity (Correction of movement of un-used prepaid electricity - 2012/2013)	33.09	37 190
	<b>Total Trade Payables</b>	<b>18 826 770</b>	<b>11 384 752</b>

No payables are secured.

Payables are being recognised net of any discounts

Payables are not all being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>9</b>	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>
	<b>Unspent Grants</b>	17 105 961	10 118 984
	National and Provincial Government Grants	17 105 961	10 118 984
	Other Sources	-	-
	<b>Less:</b> Unpaid Grants	-	-
	National and Provincial Government Grants	-	-
	Other Sources	-	-
	<b>Total Conditional Grants and Receipts</b>	<b>17 105 961</b>	<b>10 118 984</b>

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

**Library Project**

Provincial Department - Library maintenance and Expenses

**Financial Management Grant**

National Treasury - Financial Management

**Municipal Systems Improvement Grant**

National Treasury - Municipal System Improvement

**Municipal Infrastructure Grant**

National Treasury - Municipal Infrastructure Improvement

**Douglas Oxidation Ponds**

Provincial Department - Infrastructure development

**LG Seta**

National Treasury - Personnel Training

**Expanded Public Works Programme**

Provincial Department - Road Maintenance

**Department of Minerals & Energy**

Provincial Department - Infrastructure development

**Griekwastad 457**

Provincial Department - Infrastructure development

<b>10</b>	<b>VAT PAYABLE FROM EXCHANGE-TRANSACTIONS</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>
	VAT Payable	9 994 311	8 991 147
	VAT Receivable	(14 736 902)	(10 625 371)
	VAT Impairment contribution	(4 266 439)	(6 016 326)
		<b>(9 009 030)</b>	<b>(7 650 550)</b>

VAT is payable/receivable on the cash basis.



SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
11	PROPERTY, PLANT AND EQUIPMENT		
	<u>See attached sheet</u>		



**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		2014 R	2013 R
11	<b>PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</b>		
	<b>Effect of changes in accounting estimates</b>		
	The change in accounting estimate originated from the evaluation of the remaining useful lives of the assets at year end as well as the change in conditional assessment.		
		2014 R	2013 R
		(41 158)	-
12	<b>INVESTMENT PROPERTY</b>	2014 R	2013 R
	<b>Net Carrying amount as at 1 July</b>	9 982 000	9 982 000
	Cost	9 982 000	9 982 000
	Accumulated Depreciation	-	-
	<b>Net Carrying amount as at 30 June</b>	9 982 000	9 982 000
	Cost	9 982 000	9 982 000
	Accumulated Depreciation	-	-
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
	Operating income received on properties generating revenue	232 371	232 371
	Operating expenditure incurred on properties generating revenue	-	-
	Estimated Fair Value of Investment Property at 30 June	9 982 000	9 982 000
	Fair value was determined by valuation roll of 1 July 2011.		
13	<b>INTANGIBLE ASSETS</b>	2014 R	2013 R
	<b>Computer System &amp; Software</b>		
	<b>Net Carrying amount at 1 July</b>	458 273	484 423
	Cost	750 489	703 340
	Accumulated Amortisation	(292 216)	(218 917)
	Acquisitions	266 999	47 149
	Amortisation	(91 678)	(73 299)
	<b>Net Carrying amount at 30 June</b>	633 594	458 273
	Cost	1 017 488	750 489
	Accumulated Amortisation	(383 894)	(292 216)
		2014 R	2013 R
		2014 R	2013 R
	<b>Carrying Value</b>		
	<u>Description</u>	2014 R	2013 R
	<u>Remaining Amortisation</u>		
	<u>Period</u>		
	SEBATA - Accounting System	196 012	245 049
	Microsoft Office	89 404	63 675
	Cemetery Module	25 146	28 920
	Implementation of Sebata	204 543	28 072
	MPLS	78 934	90 215
	Business Plan Pro Premier	2 058	2 343
	Developed Website	37 497	-
	No intangible asset were assed having an indefinite useful life.		
	No residual values allocated to intangible assets, as there is no active market for these software items after use, due to new versions being issued regularly.		
	There are no internally generated intangible assets at reporting date.		
	There are no intangible assets whose title is restricted.		
	There are no intangible assets pledged as security for liabilities		
	There are no contractual commitments for the acquisition of intangible assets.		

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**14 BIOLOGICAL ASSETS**

	Quantity (Units)	Fair Value R	2014 R	2013 R
Springbuck	581	745	432 845	422 235
Blesbuck	46	1 045	48 070	98 865
			<u>480 915</u>	<u>521 100</u>

Fair value of biological assets is based on hunting prices an open active market less costs to sell. Hunting prices were obtained from the Dept. of Economic Development, Tourism and Environmental Affairs to determine the fair value of game as at year end 30 June 2014

Reconciliation of fair value:

Opening Fair Value		<b>521 100</b>	<b>456 715</b>
Balance previously reported		-	1 059 200
Correction of biological assets against accumulated surplus/(deficit) (Correction of fair value of biological assets)	33.08	-	(602 485)
Acquisitions		-	-
Disposals		(105 260)	-
Fair Value adjustments		<b>65 075</b>	<b>64 385</b>
Balance previously reported		-	554 700
Correction of biological assets against statement of financial performance - change in fair value (Correction of fair value of biological assets)	33.08	-	(490 315)
Closing Fair Value		<u><b>480 915</b></u>	<u><b>521 100</b></u>

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

All biological assets are located on a farm near Griekwastad. The primary activities revolving around biological assets are as follows:

- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the hunting of game, resulting in an inflow of resources to the municipality.

**15 CAPITALISED RESTORATION COST**

<b>Net Carrying amount at 1 July</b>		<b>628 842</b>	<b>789 533</b>
Cost		1 675 552	1 576 435
Balance previously reported		-	1 290 509
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Reversal of capital restoration cost opening balance for 2012/2013)	33.04	-	(1 290 509)
Correction of capitalised restoration cost against non-current provisions (Recording of corrected capital restoration cost and non-current provision opening balance 2012/2013)	33.04	-	1 576 435
Accumulated Depreciation		(981 656)	(728 997)
Balance previously reported		-	(574 726)
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Reversal of capital restoration cost opening balance for 2012/2013)	33.04	-	574 726
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Recording of accumulated depreciation and impairments until 30 June 2012)	33.04	-	(728 997)
Revaluation		-	-
Accumulated Impairments		(65 054)	(57 905)
Balance previously reported		-	(38 604)
Correction of capitalised restoration cost revaluation reserve (Reversal of revaluation reserve of capitalised restoration costs 2012/2013)	33.04	-	38 604
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Recording of accumulated depreciation and impairments until 30 June 2012)	33.04	-	(57 905)
Acquisitions		96 974	99 117
Balance previously reported		-	-
Correction of capitalised restoration cost against non-current provision (Recording of capitalisation restoration and non-current provision addition for 2012/2013)	33.04	-	99 117
Under Construction - Cost		-	-
Disposals		-	-
Depreciation for the year		(276 978)	(252 659)
Balance previously reported		-	(47 178)
Correction of capitalised restoration cost against depreciation and amortisation (Reversal of depreciation charge - land fill sites 2012/2013)	33.04	-	47 178
Correction of capitalised restoration cost against statement of financial performance - depreciation and amortisation (Recording of depreciation charge of the capitalised restoration costs for 2012/2013)	33.04	-	252 659

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

15	<b>CAPITALISED RESTORATION COST (CONTINUE)</b>	<b>2014 R</b>	<b>2013 R</b>
	Impairment	(22 672)	(7 148)
	Balance previously reported		(81 398)
	Correction of capitalised restoration cost revaluation reserve (Reversal of revaluation reserve of capitalised restoration costs 2012/2013)	33.04	81 398
	Correction of capitalised restoration cost against statement of financial performance - depreciation and amortisation (Recording of impairment charge of the capitalised restoration costs for 2012/2013)	33.04	7 148
	<b>Net Carrying amount at 30 June</b>	<b>426 166</b>	<b>628 842</b>
	Cost	1 772 526	1 675 552
	Accumulated Depreciation	(1 258 633)	(981 656)
	Revaluation	-	-
	Accumulated Impairments	(87 726)	(65 054)
		<b>2014 R</b>	<b>2013 R</b>
16	<b>INVENTORY</b>		
	Maintenance Materials - at Current Replacement Cost	500 127	420 467
	Water – at Current Replacement Cost	1 683	1 563
	<b>Total Inventory</b>	<b>501 810</b>	<b>422 030</b>
	No inventory assets were pledged as security for liabilities.		
		<b>2014 R</b>	<b>2013 R</b>
17	<b>TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
	<b>Service Receivables</b>		
	Water	33 861 998	28 800 374
	Electricity	4 751 891	4 542 408
	Refuse	10 946 154	9 219 214
	Sewerage	14 641 533	12 621 538
	<b>Total Service Receivables</b>	<b>64 201 576</b>	<b>55 183 534</b>
	Less: Allowance for Doubtful Debts	-33 407 767	-46 906 004
	<b>Net Service Receivables</b>	<b>30 793 809</b>	<b>8 277 530</b>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17	TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)	2014 R	2013 R
	<b>Other Receivables</b>		
	Other Debtors	367 124	837 990
	Balance previously reported		1 864 491
	Correction of cash and cash equivalents against trade and other receivables from exchange transactions - other debtors (Deposit 12028672 cancelled in 2012/2013 with regards to EFTS: 15002953)	33.01	-398 295
	Correction of trade receivables from exchange transactions against statement of financial performance - general Expenses - other Expenditure (Penalty and Interest on March EMP 201 not captured)	33.01	-96 711
	Correction of trade receivables from exchange transactions against statement of financial performance - finance charges - long term liabilities (Penalty and Interest on March EMP 201 not captured)	33.01	-5 908
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11021918)	33.01	-23 053
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11021983)	33.01	-20 914
	Correction of trade receivables from exchange transactions against statement of financial performance - other revenue - sundry income (Correction of commission earned from policies 2012/13)	33.01	-37 155
	Correction of trade receivables from exchange transactions against accumulated surplus/(deficit) (Correction of 2012/13 Opening balance - Salary services employees deductions)	33.01	-287 278
	Correction of trade receivables from exchange transactions against accumulated surplus/(deficit) (Correction of PAYE unallocated balances at year end Opening balances)	33.01	-165 832
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - other expenditure (Capturing of Penalty and Interest for July and August 2012/13)	33.01	-25 173
	Correction of trade receivables from exchange transactions against statement of financial performance - finance charges - long term liabilities (Capturing of Penalty and Interest for July and August 2012/13)	33.01	-867
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11022191)	33.01	23 301
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11022215)	33.01	23 391
	Correction of trade receivables from exchange transactions against accumulated surplus/(deficit) (Correction of payment cheque 11022084 incorrectly allocated in 2011/2012)	33.01	-12 007
	Other Arrears	2 548 858	2 427 878
	Attorneys Balances	716 866	770 273
	Rent Bongani	380 273	388 324
	Sundry Accounts	1 448 046	1 262 368
	Other	3 672	6 912
	<b>Total Other Receivables</b>	<b>2 915 982</b>	<b>3 265 868</b>
	Less: Allowance for Doubtful Debts	-1 333 238	-2 084 078
	<b>Net Other Receivables</b>	<b>1 582 744</b>	<b>1 181 790</b>
	<b>Total Net Receivables from Exchange Transactions</b>	<b>32 376 553</b>	<b>9 459 320</b>
	<b>Ageing of Receivables from Exchange Transactions:</b>		
	<b>(Electricity): Ageing</b>		
	Current (0 - 30 days)	159 957	546 561
	31 - 60 Days	212 105	170 793
	61 - 90 Days	79 361	167 167
	+ 90 Days	4 300 469	3 657 887
	<b>Total</b>	<b>4 751 891</b>	<b>4 542 408</b>
	<b>(Water): Ageing</b>		
	Current (0 - 30 days)	393 706	501 245
	31 - 60 Days	521 676	660 711
	61 - 90 Days	376 722	557 124
	+ 90 Days	32 569 894	27 081 293
	<b>Total</b>	<b>33 861 998</b>	<b>28 800 374</b>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17

TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)

2014  
R

2013  
R

(Refuse): Ageing

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

Total

(Sewerage): Ageing

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

Total

(Other Receivables): Ageing

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

Total

18

TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

2014  
R

2013  
R

Service Receivables

Taxes - Rates

Fines

Total Service Receivables

Less: Allowance for Doubtful Debts

Net Service Receivables

Total Net Receivables from Non-Exchange Transactions:

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)

31 - 60 Days

61 - 90 Days

+ 90 Days

Total

19

TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Summary of Receivables by Customer Classification

Residential,  
Industrial &  
Commercial  
R's

Other Debtors  
R's

National and  
Provincial  
Government  
R's

Total  
R's

2014

Total Receivables

Less: Provision for doubtful debts

Total Recoverable debtors by customer classification

Summary of Receivables by Customer Classification

Residential,  
Industrial &  
Commercial  
R's

Other Debtors  
R's

National and  
Provincial  
Government  
R's

Total  
R's

2013

Total Receivables

Less: Provision for doubtful debts

Total Recoverable debtors by customer classification

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**19 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS (CONTINUE)**

**Trade and other receivables impairment**

	<b>Exchange Transactions R's</b>	<b>Non-Exchange Transactions R's</b>	<b>Total R's</b>
<b>2014</b>			
Total	<b>-34 741 005</b>	<b>-5 713 224</b>	<b>-40 454 229</b>
<b>2013</b>			
Total	<b>-48 990 082</b>	<b>-5 300 178</b>	<b>-54 290 260</b>

Debts (Rates) are required to be settled after 30 days, interest is charged after this date at prime +1%  
The fair value of trade and other receivables approximates their carrying amounts

**Reconciliation of the Total doubtful debt provision**

	<b>2014 R</b>	<b>2013 R</b>
Balance at beginning of the year	54 290 261	41 740 370
Contributions to provision	-11 297 074	11 158 154
VAT Impairment	-1 749 887	1 415 716
Doubtful debts written off against provision	-798 415	-23 978
Fines	9 344	-
<b>Balance at end of year</b>	<b>40 454 230</b>	<b>54 290 261</b>

**20 OPERATING LEASE ARRANGEMENTS**

**20.1 The Municipality as Lessor**

	<b>2014 R</b>	<b>2013 R</b>
<b>Balance on 1 July</b>	138 004	111 244
Movement during the year	11 406	26 760
<b>Balance on 30 June</b>	<b>149 410</b>	<b>138 004</b>

Siyancuma Municipality is leasing commonage land to MTN for periods of 119 months with escalations of 10% per year.

Siyancuma Municipality is leasing commonage land to Vodacom for periods of 59 months with escalations of 10% per year.

Siyancuma Municipality is leasing commonage land to various lessees with escalations of 12% per year till 30 June 2020.

Siyancuma Municipality is leasing commonage land to Vodacom for periods of 60 months with escalations of average CPIX of 3.7% per year.

	<b>2014 R</b>	<b>2013 R</b>
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	206 701	167 846
2 to 5 Years	554 395	671 481
More than 5 Years	174 773	283 411
<b>Total Operating Lease Arrangements</b>	<b>935 869</b>	<b>1 122 739</b>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land being leased out for a period until June 2020



SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
21	<b>CASH AND CASH EQUIVALENTS</b>		
	<b>Assets</b>		
	Call Investments Deposits	8 505 547	5 500 441
	Primary Bank Account	952 024	1 684 613
	Balance previously reported		1 284 082
	Correction of cash and cash equivalents against statement of financial performance - Contributed PPE (Stale cheque:11022217 cancelled in 2012/2013)	33.07	1 850
	Correction of cash and cash equivalents against trade and other receivables from exchange transactions - other debtors (Deposit 12028672 cancelled in 2012/2013 with regards to EFTS: 15002953)	33.07	398 295
	Correction of cash and cash equivalents against statement of financial statement - Rental of facilities and equipment (Stale cheque:11022161 cancelled in 2014 - transaction from 2012/2013)	33.07	386
	Cash Floats	700	700
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>9 458 271</b>	<b>7 185 754</b>
	The municipality has the following bank accounts:		
	<b>Current Accounts</b>		
	Douglas - Std Bank Account number: 041667336000 (Primary Bank Account):	570 598	996 279
	Douglas - FNB Account Number: 52090016612 ( Second Primary Bank Account)	381 426	287 803
		<b>952 024</b>	<b>1 284 082</b>
	<b>Douglas - Std Bank Account number: 041667336000 (Primary Bank Account):</b>		
	Cash book balance at beginning of year	996 279	2 630 281
	Cash book balance at end of year	570 598	996 279
	Bank statement balance at beginning of year	2 619 756	1 507 682
	Bank statement balance at end of year	659 923	2 619 756
	<b>Douglas - FNB Account Number: 52090016612 ( Second Primary Bank Account)</b>		
	Cash book balance at beginning of year	287 803	1 129 966
	Cash book balance at end of year	381 426	287 803
	Bank statement balance at beginning of year	287 803	1 129 966
	Bank statement balance at end of year	381 426	287 803
	<b>Call Investment Deposits</b>		
	Call investment deposits consist out of the following accounts:		
	Bank Account Number		
	Standard Bank 54792271	69 461	32 425
	Standard Bank 54994621	5 928	901
	Standard Bank 048857440	1 486	119 908
	Standard Bank 048857424	178 351	173 238
	Standard Bank 048857432	1 168 027	52 210
	Standard Bank 048858625	7 023 562	5 121 759
	Standard Bank 048857521	1 297	-
	Standard Bank 048860077	57 435	-
		<b>8 505 547</b>	<b>5 500 441</b>

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
<b>22</b>	<b>PROPERTY RATES</b>		
	<u>Actual</u>		
	<b>Rateable Land and Buildings</b>	17 415 243	15 901 754
	Residential, Commercial Property, State	17 415 243	15 901 754
	<u>Less: Rebates</u>	-9 794 417	-8 963 288
	<b>Total Assessment Rates</b>	<b>7 620 826</b>	<b>6 938 466</b>
	<u>Valuations - 1 July 2013</u>		
	<b>Rateable Land and Buildings</b>	5 425 674 180	5 443 734 369
	Residential	432 093 500	393 763 901
	Business	96 989 000	103 972 700
	Governments	41 907 000	41 848 000
	The Erven	-	-
	Agriculture	4 773 712 580	4 826 070 668
	Exempt Municipal and other	80 972 100	78 079 100
	<u>Less: Income Forgone</u>		
	<b>Total Assessment Rates</b>	<b>5 425 674 180</b>	<b>5 443 734 369</b>

Valuations on land and buildings must be performed every four years. The last valuation came into effect on 1 July 2011.

Rates are levied monthly and annually and are payable after due dates. Interest is levied at the prime rate plus 1% on outstanding amounts after due dates

		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
<b>23</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
	<b>Unconditional Grants</b>	<b>36 842 000</b>	<b>35 680 000</b>
	Equitable Share	36 842 000	35 680 000
	<b>Conditional Grants</b>	<b>30 040 371</b>	<b>29 592 664</b>
	Library Project	1 373 799	445 525
	Local Government Financial Management Grant	1 650 000	1 500 000
	Municipal System Improvement Grant	890 000	800 000
	Municipal Infrastructure Grant	13 180 092	25 850 807
	Griekwastad 457	4 774 808	-
	Douglas Oxidation Ponds	4 238 356	-
	LG Seta	68 676	-
	EPWP	2 272 448	454 998
	Department of Minerals & Energy	1 592 192	541 334
	<b>Total Government Grants and Subsidies</b>	<b>66 882 371</b>	<b>65 272 664</b>
	Government Grants and Subsidies - Capital	24 191 703	27 022 396
	Government Grants and Subsidies - Operating	42 690 668	38 250 268
		<b>66 882 371</b>	<b>65 272 664</b>
	Grant spending per vote:		
	Executive & Council	68 676	-
	Budget & Treasury	39 382 000	37 980 000
	Community & Social Services	1 373 799	445 525
	Road Transport	7 109 134	454 998
	Electricity	1 592 192	541 334
	Water	10 730 810	25 850 807
	Waste Water Management	6 625 760	-
		<b>66 882 371</b>	<b>65 272 664</b>
	Conditions were complied with during the year.		
<b>23.1</b>	<b>Equitable share</b>		
	Opening balance	-	-
	Grants received	32 282 000	31 121 000
	Transfer from MIG due to roll over not approved on MIG	4 560 000	4 559 000
	Conditions met - Operating	(36 842 000)	(35 680 000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>23</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>	<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
<b>23.2</b>	<b>Local Government Financial Management Grant (FMG)</b>		
	Opening balance	-	-
	Grants received	1 650 000	1 500 000
	Conditions met - Operating	(1 614 320)	(1 424 370)
	Conditions met - Capital	(35 680)	(75 630)
	Conditions still to be met	-	-
		<u>                    </u>	<u>                    </u>
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
<b>23.3</b>	<b>Municipal Systems Improvement Grant</b>		
	Opening balance	-	-
	Grants received	890 000	800 000
	Transfers	-	-
	Conditions met - Operating	(526 521)	(402 954)
	Conditions met - Capital	(363 479)	(397 046)
	Conditions still to be met	-	-
		<u>                    </u>	<u>                    </u>
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
<b>23.4</b>	<b>Municipal Infrastructure Grant (MIG)</b>		
	Opening balance	7 043 686	20 813 894
	Grants received	19 475 000	20 513 000
	Transfer to Equitable Share due to roll over not approved on MIG	-	(8 432 402)
	Conditions met - Operating	-	-
	Conditions met - Capital	(13 180 092)	(25 850 807)
	Grant expenditure to be recovered	<u>13 338 593</u>	<u>7 043 686</u>
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
<b>23.5</b>	<b>Expanded Public Works Program</b>		
	Opening balance	2 045 004	-
	Grants received	1 000 000	2 500 002
	Conditions met - Operating	(2 265 351)	(424 362)
	Conditions met - Capital	(7 097)	(30 636)
	Grant expenditure to be recovered	<u>772 555</u>	<u>2 045 004</u>
	The grant was used for infrastructure development in the Siyancuma area		
<b>23.5</b>	<b>Library Grants</b>		
	Opening balance	743 799	877 324
	Grants received	630 000	312 000
	Conditions met - Operating	(1 373 799)	(318 581)
	Conditions met - Capital	-	(126 944)
	Grant expenditure to be recovered	<u>                    </u>	<u>743 799</u>
	Library grants was utilised for the development of libraries in the Siyancuma area		
<b>23.6</b>	<b>Integrated National Electrification Grant</b>		
	Opening balance	-	627 932
	Grants received	3 200 000	(86 598)
	Conditions met - Operating	-	-
	Conditions met - Capital	(1 592 192)	(541 334)
	Conditions still to be met	<u>1 607 808</u>	<u>                    </u>
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
<b>23.7</b>	<b>Other Grants</b>		
	Opening balance	286 496	130 794
	Grants received	10 182 348	155 702
	Conditions met - Operating	(68 676)	-
	Conditions met - Capital	(9 013 163)	-
	Conditions still to be met	<u>1 387 005</u>	<u>286 496</u>
	Various grants were received from other spheres of government		

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>23</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>
<b>23.8</b>	<b>Total Grants</b>		
	Opening balance	10 118 984	22 449 944
	Grants received	69 309 348	56 815 105
	Transfers	4 560 000	(3 873 402)
	Conditions met - Operating	(42 690 668)	(38 250 267)
	Conditions met - Capital	(24 191 703)	(27 022 397)
	Conditions still to be met/(Grant expenditure to be recovered)	<b>17 105 961</b>	<b>10 118 984</b>
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	17 105 961	10 118 984
	Unpaid Conditional Government Grants and Receipts	-	-
		<b>17 105 961</b>	<b>10 118 984</b>
<b>24</b>	<b>SERVICE CHARGES</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>
	Electricity	21 525 856	20 541 123
	Service Charges	25 396 087	23 385 635
	Balance previously reported		23 422 825
	Correction of cash suspense and salary control account against service charges	33.01 33.02	-37 190
	<u>Less:</u> Rebates	(3 870 231)	(2 844 512)
	Water	10 565 845	9 425 206
	Service Charges	12 465 526	10 730 398
	<u>Less:</u> Rebates	(1 899 681)	(1 305 192)
	Refuse removal	4 557 297	4 301 567
	Service Charges	5 376 674	4 897 243
	<u>Less:</u> Rebates	(819 377)	(595 676)
	Sewerage and Sanitation Charges	5 339 036	5 095 419
	Service Charges	6 298 964	5 801 027
	<u>Less:</u> Rebates	(959 928)	(705 608)
	Other Service Charges	-	-
	<b>Total Service Charges</b>	<b>41 988 034</b>	<b>39 363 315</b>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
<b>25</b>	<b>OTHER REVENUE</b>		
	Sundry income	472 129	162 975
	Balance previously reported		200 130
	Correction of trade receivables from exchange transactions against statement of financial performance - other revenue - sundry income (Correction of commission earned from policies 2012/13)	33.11	-37 155
	Insurance income	-	11 695
	Legal cost received	61 555	44 427
	Cemetery fees	38 976	28 622
	Other income represents administration income	107 356	27 691
	Proceeds of land sales	8 050	5 351
	Finance lease contract cancelled	2	245 789
	Donations	81 000	-
	Debt Impairment Reversal	28	11 297 074
	<b>Total Other Income</b>	<b>12 311 929</b>	<b>280 761</b>

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) and fees for items not included under service charges (camping, fire brigade and impounding fees)

		2014 R	2013 R
<b>26</b>	<b>EMPLOYEE RELATED COSTS</b>		
	Employee Related Costs - Salaries and Wages	24 191 032	23 381 253
	Employee Related Costs - Contributions for UIF, Pensions and Medical Aid:	5 599 976	4 600 032
	Travelling Allowances	2 035 628	2 291 486
	Acting Allowance	91 945	-
	Cellphone Allowance	51 400	-
	Standby Allowance	692 226	525 374
	Housing Benefits and Allowances	327 439	363 114
	Overtime	2 710 749	1 631 915
	Workmens Compensation	-	-
	Bonuses	1 636 295	1 358 338
	Leave reserve	-	-
	Provision for staff leave	825 248	1 239 976
	Contribution to provision - Long Service Awards	3	130 320
	Contribution to provision - Post Retirement Medical	3	379 318
	<b>Total Employee Related Costs</b>	<b>38 671 576</b>	<b>35 907 254</b>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
26	<b>EMPLOYEE RELATED COSTS</b>		
	<b>KEY MANAGEMENT PERSONNEL</b>		
	There are no post-employment or termination benefits payable to them at the end of the contract period.		
	<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
	<i>Remuneration of the Municipal Manager (HF Nel)</i>		
	Annual Remuneration	543 042	306 000
	Subsistence Allowances	11 085	11 001
	Travelling Allowance	198 076	109 161
	Contributions to UIF, Medical and Pension Funds	263 169	128 573
	Public Allowance	11 085	11 001
	Transport Logsheets	172 119	114 637
	<b>Total</b>	<b>1 198 577</b>	<b>680 373</b>
	<i>Remuneration of the Chief Financial Officer (CJB Müller)</i>		
	Annual Remuneration	971 159	829 408
	Travelling Allowance	60 000	60 000
	Contributions to UIF, Medical and Pension Funds	107 319	1 713
	Cellphone Allowance	9 600	9 600
	Backpay	-	171 829
	Transport Logsheets	29 308	66 205
	<b>Total</b>	<b>1 177 385</b>	<b>1 138 754</b>
	<i>Remuneration of the Director Infrastructure Services (XS Geco)</i>		
	Annual Remuneration	215 604	207 895
	Housing	15 193	13 635
	Travelling Allowance	35 000	35 000
	Contributions to UIF, Medical and Pension Funds	64 609	64 609
	Cellphone Allowance	4 000	4 000
	Transport Logsheets	137 645	37 030
	<b>Total</b>	<b>472 051</b>	<b>362 168</b>
27	<b>REMUNERATION OF COUNCILLORS</b>		
	Executive Mayor: Allowances	476 731	445 467
	Unemployment Insurance Fund	-	821
	Cell phone Allowance	24 836	20 640
	Backpay	20 813	18 072
	Travelling	319 721	204 943
	Councillors: Allowances	1 624 748	1 439 102
	Cell phone Allowance	188 200	138 720
	Backpay	175 345	171 268
	Travelling	557 617	626 815
	<b>Total Councillors' Remuneration</b>	<b>3 388 009</b>	<b>3 065 848</b>

**In-kind Benefits**

The Mayor is full-time. She is provided with an office, secretarial support and a driver at the cost of the Council.

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
<b>28</b>	<b>DEBT IMPAIRMENT / (REVERSAL)</b>		
	Trade Receivables from exchange transactions	17 (13 644 212)	11 551 953
	Trade Receivables from non-exchange transactions	18 597 251	1 021 917
	Less: VAT Debt Impairment Provision	10 1 749 887	(1 415 716)
	<b>Total Contribution to Impairment Provisor</b>	<b>25 (11 297 074)</b>	<b>11 158 154</b>
<b>29</b>	<b>FINANCE CHARGES</b>		
	Long-term Liabilities	445 542	1 081 006
	Balance previously reported		1 076 586
	Correction of trade receivables from exchange transactions against statement of financial performance - finance charges - long term liabilities (Penalty and Interest on March EMP 201 not captured)	33.11	5 908
	Correction of trade receivables from exchange transactions against statement of financial performance - finance charges - long term liabilities (Capturing of Penalty and Interest for July and August 2012/13)	33.11	867
	Correction of Long term liabilities against statement of financial performance - finance charges (Nashua finance lease contract 4 incorrectly stopped)	33.11	-2 356
	Actuarial Interest	983 882	769 701
	Landfill Sites	257 430	232 461
	Balance previously reported		533 317
	Correction of non-current provisions against statement of financial performance - finance charges - landfill (Reversal of interest charge - land fill sites 2012/2013)	33.11	(533 317)
	Correction of non-current provisions against statement of financial performance - finance charges - landfill (Recording of interest charges against the non-current provision for 2012/2013)	33.11	232 461
	<b>Total finance charges</b>	<b>1 686 854</b>	<b>2 083 168</b>
<b>30</b>	<b>BULK PURCHASES</b>		
	Electricity	28 123 720	22 904 932
	Water	576 253	380 724
	Balance previously reported		401 210
	Correction of statement of financial performance - bulk purchases water against bulk purchases - stock adjustments (Correction of disclosure 2012/2013)	33.11	(20 486)
	Purchases	597 224	401 210
	Less Stock Adjustments	(20 971)	(20 486)
	Stock adjustments	20 971	20 486
	Balance previously reported		-
	Correction of statement of financial performance - bulk purchases water against bulk purchases - stock adjustments (Correction of disclosure 2012/2013)	33.11	20 486
	<b>Total Bulk Purchases</b>	<b>28 720 944</b>	<b>23 306 142</b>
<b>31</b>	<b>OPERATING GRANT EXPENDITURE</b>		
	Operating grant expenditure per vote		
	Corporate Services	68 676	684 938
	Budget & Treasury	506 090	802 962
	Community & Social Services	32 017	-
	Road Transport	1 939 471	-
	<b>Total Operating grant expenditure</b>	<b>2 546 254</b>	<b>1 487 900</b>

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
<b>32</b>	<b>GENERAL EXPENSES</b>		
	Act on local government	359 508	317 004
	Balance previously reported		319 729
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11021918)	33.11	23 053
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11021983)	33.11	20 914
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11022191)	33.11	-23 301
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11022215)	33.11	-23 391
	Advertisements	147 905	147 130
	Audit fees	2 225 933	2 512 879
	Bank charges	298 594	278 389
	Chemicals	259 749	249 848
	Cleaning costs	-	-
	Delegation fees	395 306	1 066 581
	Subsistence and travel	1 217 610	-
	Entertainment: public	191 151	112 701
	Environmental health	209 645	2 295
	Insurance cost	582 279	817 226
	Legal expenses	666 729	209 565
	Membership fees: municipal	950 000	400 000
	Other expenditure	944 721	923 644
	Balance previously reported		801 760
	Correction of trade receivables from exchange transactions against statement of financial performance - general Expenses - other Expenditure (Penalty and Interest on March EMP 201 not captured)	33.11	96 711
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - other expenditure (Capturing of Penalty and Interest for July and August 2012/13)	33.11	25 173
	Printing & stationary	914 812	611 893
	Professional and consultant	6 327 764	3 352 822
	Purchase of refuse bags	634	100 800
	Telephone expenses	810 618	615 106
	Training	980 459	491 835
	Vehicles: fuel	1 624 080	826 361
	Workmens Compensation	-	346 744
	<b>General Expenses</b>	<b>19 107 497</b>	<b>13 382 823</b>

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.



SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2013 R
<b>33</b>	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	
<b>33.01</b>	<b>Trade Receivables from exchange transactions</b>	
	Disclosure as required by GRAP 1.	
	<b>Balance previously reported</b>	<b>10 485 821</b>
	Correction of cash and cash equivalents against trade and other receivables from exchange transactions - other debtors (Deposit 12028672 cancelled in 2012/2013 with regards to EFTS: 15002953)	33.07 -398 295
	Correction of trade receivables from exchange transactions against statement of financial performance - general Expenses - other Expenditure (Penalty and Interest on March EMP 201 not captured)	33.11 -96 711
	Correction of trade receivables from exchange transactions against statement of financial performance - finance charges - long term liabilities (Penalty and Interest on March EMP 201 not captured)	33.11 -5 908
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11021918)	33.11 -23 053
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11021983)	33.11 -20 914
	Correction of trade receivables from exchange transactions against statement of financial performance - other revenue - sundry income (Correction of commission earned from policies 2012/13)	33.11 -37 155
	Correction of trade receivables from exchange transactions against accumulated surplus/(deficit) (Correction of 2012/13 Opening balance - Salary services employees deductions)	33.10 -287 278
	Correction of trade receivables from exchange transactions against accumulated surplus/(deficit) (Correction of PAYE unallocated balances at year end Opening balances)	33.10 -165 832
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - other expenditure (Capturing of Penalty and Interest for July and August 2012/13)	33.11 -25 173
	Correction of trade receivables from exchange transactions against statement of financial performance - finance charges - long term liabilities (Capturing of Penalty and Interest for July and August 2012/13)	33.11 -867
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11022191)	33.11 23 301
	Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11022215)	33.11 23 391
	Correction of trade receivables from exchange transactions against accumulated surplus/(deficit) (Correction of payment cheque 11022084 incorrectly allocated in 2011/2012)	33.11 -12 007
	<b>Total</b>	<b>9 459 321</b>
<b>33.02</b>	<b>Long term Liabilities</b>	
	Disclosure as required by GRAP 1.	
	<b>Balance previously reported</b>	<b>8 472 554</b>
	Correction of Long term liabilities against statement of financial performance - loss on disposal of ppe (Nashua finance lease contract 4 incorrectly stopped)	33.11 40 460
	Correction of Long term liabilities against statement of financial performance - finance charges (Nashua finance lease contract 4 incorrectly stopped)	33.11 -2 356
	<b>Total</b>	<b>8 510 658</b>
<b>33.03</b>	<b>Non-current Provisions</b>	
	Disclosure as required by GRAP 1.	
	<b>Balance previously reported</b>	<b>5 480 766</b>
	Correction of non-current provisions against accumulated surplus/(deficit) (Reversal of the opening balance of non-current provision - landfill sites 2012/2013)	33.10 -4 947 449
	Correction of non-current provisions against statement of financial performance - finance charges - landfill (Reversal of interest charge - land fill sites 2012/2013)	33.11 -533 317
	Correction of capitalised restoration cost against non-current provisions (Recording of corrected capital restoration cost and non-current provision opening balance 2012/2013)	33.04 1 576 435
	Correction of non-current provisions against accumulated surplus (Recording of non-current provision accrued interest until 30 June 2012)	33.10 3 559 663
	Correction of capitalised restoration cost against non-current provision (Recording of capitalisation restoration and non-current provision addition for 2012/2013)	33.04 99 117
	Correction of non-current provisions against statement of financial performance - finance charges - landfill (Recording of interest charges against the non-current provision for 2012/2013)	33.11 232 461
	<b>Total</b>	<b>5 467 676</b>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2013 R
<b>CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)</b>		
<b>33.04 Capitalised restoration costs</b>		
Disclosure as required by GRAP 1.		
<b>Balance previously reported</b>		<b>711 399</b>
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Reversal of capital restoration cost opening balance for 2012/2013)	33.10	(1 290 509)
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Reversal of capital restoration cost opening balance for 2012/2013)	33.10	574 726
Correction of capitalised restoration cost against statement of financial performance - depreciation and amortisation (Reversal of depreciation charge - land fill sites 2012/2013)	33.11	47 178
Correction of capitalised restoration cost revaluation reserve (Reversal of revaluation reserve of capitalised restoration costs 2012/2013)	33.05	-81 398
Correction of capitalised restoration cost revaluation reserve (Reversal of revaluation reserve of capitalised restoration costs 2012/2013)	33.05	38 604
Correction of capitalised restoration cost against non-current provisions (Recording of corrected capital restoration cost and non-current provision opening balance 2012/2013)	33.03	1 576 435
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Recording of accumulated depreciation and impairments until 30 June 2012)	33.10	-57 905
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Recording of accumulated depreciation and impairments until 30 June 2012)	33.10	-728 997
Correction of capitalised restoration cost against non-current provision (Recording of capitalisation restoration and non-current provision addition for 2012/2013)	33.03	99 117
Correction of capitalised restoration cost against statement of financial performance - depreciation and amortisation (Recording of depreciation charge of the capitalised restoration costs for 2012/2013)	33.11	-252 659
Correction of capitalised restoration cost against statement of financial performance - depreciation and amortisation (Recording of impairment charge of the capitalised restoration costs for 2012/2013)	33.11	-7 148
<b>Total</b>		<b>628 842</b>
<b>33.05 Revaluation Reserve</b>		
Disclosure as required by GRAP 1.		
<b>Balance previously reported</b>		<b>42 794</b>
Correction of capitalised restoration cost revaluation reserve (Reversal of revaluation reserve of capitalised restoration costs 2012/2013)	33.04	-81 398
Correction of capitalised restoration cost revaluation reserve (Reversal of revaluation reserve of capitalised restoration costs 2012/2013)	33.04	38 604
<b>Total</b>		<b>(0)</b>
<b>33.06 Property, plant and equipment</b>		
Disclosure as required by GRAP 1.		
<b>Balance previously reported</b>		<b>297 971 085</b>
Correction of property, plant and equipment against accumulated surplus/(deficit) (Correction of Land and Buildings opening balance cost as per reconciliation 2011/2012)	33.10	13 516 647
Correction of property, plant and equipment against accumulated surplus/(deficit) (Correction of Land and Buildings opening balance accumulated depreciation as per reconciliation 2011/2012)	33.10	-277 835
Correction of property, plant and equipment against statement of financial performance - depreciation and amortisation (Correction of Land and Buildings depreciation charge for 2012/2013)	33.11	-55 895
Correction of property, plant and equipment against accumulated surplus/(deficit) (Correction of unbundling of infrastructure accumulated depreciation as at 1 July 2012)	33.10	-68 865 033
Correction of property, plant and equipment against statement of financial performance - depreciation and amortisation (Correction of unbundling of infrastructure depreciation charge for 2012/2013)	33.11	2 684 898
Correction of property, plant and equipment against property, plant and equipment (Correction of classification of infrastructure assets)	33.06	-16 800
Correction of property, plant and equipment against property, plant and equipment (Correction of classification of infrastructure assets)	33.06	-33 717
Correction of property, plant and equipment against property, plant and equipment (Correction of classification of infrastructure assets)	33.06	50 518
<b>Total</b>		<b>244 973 865</b>

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)</b>		<b>2013 R</b>
<b>33.07 Cash and Cash Equivalents</b>		
Disclosure as required by GRAP 1.		
<b>Balance previously reported</b>		<b>6 785 223</b>
Correction of cash and cash equivalents against statement of financial performance - Contributed PPE (Stale cheque:11022217 cancelled in 2012/2013)	33.11	1 850
Correction of cash and cash equivalents against trade and other receivables from exchange transactions - other debtors (Deposit 12028672 cancelled in 2012/2013 with regards to EFTS: 15002953)	33.01	398 295
Correction of cash and cash equivalents against statement of financial statement - Rental of facilities and equipment (Stale cheque:11022161 cancelled in 2014 - transaction from 2012/2013)	33.11	386
<b>Total</b>		<b>7 185 754</b>
<b>33.08 Biological Assets</b>		
Disclosure as required by GRAP 1.		
<b>Balance previously reported</b>		<b>1 613 900</b>
Correction of biological assets against accumulated surplus/(deficit) (Correction of fair value of biological assets)	33.10	-602 485
Correction of biological assets against statement of financial performance - change in fair value (Correction of fair value of biological assets)	33.11	-490 315
<b>Total</b>		<b>521 100</b>
<b>33.09 Payables from exchange transactions</b>		
Disclosure as required by GRAP 1.		
<b>Balance previously reported</b>		<b>10 945 461</b>
Correction of payables from exchange transactions against accumulated surplus/(deficit) (Correction of opening balance unused pre-paid electricity - 2011/2012)	33.10	67 853
Correction of payables from exchange transactions against statement of financial performance - service charges - electricity (Correction of movement of un-used prepaid electricity - 2012/2013)	33.11	37 190
<b>Total</b>		<b>11 050 503</b>
<b>33.1 Accumulated Surplus/(Deficit)</b>		
<b>Balance previously reported</b>		<b>278 023 581</b>
Correction of trade receivables from exchange transactions against accumulated surplus/(deficit) (Correction of 2012/13 Opening balance - Salary services employees deductions)	33.01	-287 278
Correction of trade receivables from exchange transactions against accumulated surplus/(deficit) (Correction of PAYE unallocated balances at year end Opening balances)	33.01	-165 832
Correction of trade receivables from exchange transactions against accumulated surplus/(deficit) (Correction of payment cheque 11022084 incorrectly allocated in 2011/2012)	33.01	-12 007
Correction of non-current provisions against accumulated surplus/(deficit) (Reversal of the opening balance of non-current provision - landfill sites 2012/2013)	33.03	4 947 449
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Reversal of capital restoration cost opening balance for 2012/2013)	33.04	-1 290 509
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Reversal of capital restoration cost opening balance for 2012/2013)	33.04	574 726
Correction of non-current provisions against accumulated surplus (Recording of non-current provision accrued interest until 30 June 2012)	33.03	-3 559 663
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Recording of accumulated depreciation and impairments until 30 June 2012)	33.04	-57 905
Correction of capitalised restoration cost against accumulated surplus/(deficit) (Recording of accumulated depreciation and impairments until 30 June 2012)	33.04	-728 997
Correction of biological assets against accumulated surplus/(deficit) (Correction of fair value of biological assets)	33.08	-602 485
Correction of property, plant and equipment against accumulated surplus/(deficit) (Correction of Land and Buildings opening balance cost as per reconciliation 2011/2012)	33.06	13 516 647
Correction of property, plant and equipment against accumulated surplus/(deficit) (Correction of Land and Buildings opening balance accumulated depreciation as per reconciliation 2011/2012)	33.06	-277 835
Correction of payables from exchange transactions against accumulated surplus/(deficit) (Correction of opening balance unused pre-paid electricity - 2011/2012)	33.09	-67 853
Correction of property, plant and equipment against accumulated surplus/(deficit) (Correction of unbundling of infrastructure accumulated depreciation as at 1 July 2012)	33.06	-68 865 033
<b>Total</b>		<b>221 147 006</b>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)

2013  
R

33.11 Changes to Statement of Financial Performance

Balance previously reported

7 923 363

Correction of cash and cash equivalents against statement of financial performance - Contributed PPE (Stale cheque:11022217 cancelled in 2012/2013)	33.07	1 850
Correction of cash and cash equivalents against statement of financial statement - Rental of facilities and equipment (Stale cheque:11022161 cancelled in 2014 - transaction from 2012/2013)	33.07	386
Correction of trade receivables from exchange transactions against statement of financial performance - general Expenses - other Expenditure (Penalty and Interest on March EMP 201 not captured)	33.01	-96 711
Correction of trade receivables from exchange transactions against statement of financial performance - finance charges - long term liabilities (Penalty and Interest on March EMP 201 not captured)	33.01	-5 908
Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11021918)	33.01	-23 053
Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11021983)	33.01	-20 914
Correction of trade receivables from exchange transactions against statement of financial performance - other revenue - sundry income (Correction of commission earned from policies 2012/13)	33.01	-37 155
Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - other expenditure (Capturing of Penalty and Interest for July and August 2012/13)	33.01	-25 173
Correction of trade receivables from exchange transactions against statement of financial performance - finance charges - long term liabilities (Capturing of Penalty and Interest for July and August 2012/13)	33.01	-867
Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11022191)	33.01	23 301
Correction of trade receivables from exchange transactions against statement of financial performance - general expenses - act on local government (Correction of SDL paid against the incorrect vote for cheque 11022215)	33.01	23 391
Correction of non-current provisions against statement of financial performance - finance charges - landfill (Reversal of interest charge - land fill sites 2012/2013)	33.03	533 317
Correction of capitalised restoration cost against statement of financial performance - depreciation and amortisation (Reversal of depreciation charge - land fill sites 2012/2013)	33.04	47 178
Correction of non-current provisions against statement of financial performance - finance charges - landfill (Recording of interest charges against the non-current provision for 2012/2013)	33.03	-232 461
Correction of capitalised restoration cost against statement of financial performance - depreciation and amortisation (Recording of depreciation charge of the capitalised restoration costs for 2012/2013)	33.04	-252 659
Correction of capitalised restoration cost against statement of financial performance - depreciation and amortisation (Recording of impairment charge of the capitalised restoration costs for 2012/2013)	33.04	-7 148
Correction of biological assets against statement of financial performance - change in fair value (Correction of fair value of biological assets)	33.08	-490 315
Correction of Long term liabilities against statement of financial performance - loss on disposal of ppe (Nashua finance lease contract 4 incorrectly stopped)	33.02	-40 460
Correction of Long term liabilities against statement of financial performance - finance charges (Nashua finance lease contract 4 incorrectly stopped)	33.02	2 356
Correction of property, plant and equipment against statement of financial performance - depreciation and amortisation (Correction of Land and Buildings depreciation charge for 2012/2013)	33.06	-55 895
Correction of payables from exchange transactions against statement of financial performance - service charges - electricity (Correction of movement of un-used prepaid electricity - 2012/2013)	33.09	-37 190
Correction of statement of financial performance - bulk purchases water against bulk purchases - stock adjustments (Correction of disclosure 2012/2013)	33.11	20 486
Correction of statement of financial performance - bulk purchases water against bulk purchases - stock adjustments (Correction of disclosure 2012/2013)	33.11	-20 486
Correction of property, plant and equipment against statement of financial performance - depreciation and amortisation (Correction of unbundling of infrastructure depreciation charge for 2012/2013)	33.06	2 684 898

Total

9 914 130

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
34	<b>RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
	Surplus/(Deficit) for the year	24 546 682	9 914 130
	<b>Adjustments for:</b>		
	Depreciation	9 343 192	8 796 950
	Amortisation of Intangible Assets	91 678	73 299
	Contributed PPE	-	(107 652)
	Impairments	-	-
	(Gain)/ loss on disposal of Property Plant and Equipment	(121 675)	130 758
	(Gain)/ loss on disposal of Biological Assets	77 193	-
	Contribution from/to employee benefits - benefits paid	(615 204)	(433 718)
	Contribution from/to employee benefits - non-current - expenditure incurred	1 493 520	1 285 467
	Contribution from/to employee benefits - non-current - actuarial gains	860 557	899 666
	Contribution to employee benefits – current	955 956	1 435 725
	Contribution to employee benefits – current - expenditure incurred	(232 754)	(316 482)
	Contribution to provisions – current	257 430	232 461
	Contribution to provisions – current - expenditure incurred	-	-
	Contribution to provisions – Debt Impairment	(12 956 105)	12 573 870
	Debt impairment written off	(879 927)	(23 978)
	Fair Value Adjustments	(65 075)	(64 385)
	Unamortised discount - Interest - Expenditure	-	-
	Operating lease income accrued	(11 406)	(26 760)
	Operating Surplus/(Deficit) before changes in working capital	22 744 062	34 369 351
	Changes in working capital	3 969 714	(23 901 050)
	Increase/(Decrease) in Payables From Exchange Transactions	7 442 018	6 638 088
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	6 986 978	(12 330 961)
	Increase/(Decrease) in Taxes	(1 358 480)	(5 832 476)
	(Increase)/Decrease in Inventory	(79 780)	(214 938)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	-	-
	(Increase)/Decrease in Trade Receivables from exchange transactions	(8 668 156)	(11 273 084)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(352 866)	(887 678)
	<b>Cash generated/(absorbed) by operations</b>	<b>26 713 775</b>	<b>10 468 302</b>
		<b>2014 R</b>	<b>2013 R</b>
35	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits	21 8 505 547	5 500 441
	Cash Floats	21 700	700
	Bank	21 952 024	1 684 613
	<b>Total cash and cash equivalents</b>	<b>9 458 271</b>	<b>7 185 754</b>
36	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
	Cash and Cash Equivalents	35 9 458 271	7 185 754
	Less:	9 458 271	7 185 754
	Unspent Committed Conditional Grants	17 105 961	10 118 984
	<b>Resources available for working capital requirements</b>	<b>(7 647 690)</b>	<b>(2 933 230)</b>
37	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
	Long-term Liabilities	2 7 034 276	8 472 548
	Used to finance property, plant and equipment - at cost	-7 034 276	-8 472 548
	Cash set aside for the repayment of long-term liabilities	-	-
	<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
	Annuity loans at amortised cost is calculated at 10%-16.05% interest rate, with maturity date of 1 September 2017. The loans are unsecured		

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

38	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>	<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
<b>38.1</b>	<b><u>Unauthorised expenditure</u></b>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	85 548 427	57 632 757
	Unauthorised expenditure current year - capita	3 124 952	15 240 555
	Unauthorised expenditure current year - operating	4 800 548	12 675 115
	Approved by Council or condoned	-	-
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	<b>93 473 927</b>	<b>85 548 427</b>

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>
<i>Over expenditure on votes</i>	<i>None</i>

	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	<b>(Actual)</b>	<b>(Budget)</b>	<b>(Variance)</b>	<b>(Unauthorised)</b>
<b><u>Unauthorised expenditure current year - operating</u></b>				
Executive & Council	5 570 913	5 633 626	(62 713)	-
Budget & Treasury	22 684 705	33 986 636	(11 301 931)	-
Corporate Services	14 036 045	16 965 658	(2 929 613)	-
Health	224 287	470 037	(245 750)	-
Community & Social Services	2 352 067	2 676 000	(323 933)	-
Public Safety	1 334 616	3 018 167	(1 683 551)	-
Sport & Recreation	1 592 663	2 877 708	(1 285 045)	-
Waste Management	2 777 537	9 965 459	(7 187 922)	-
Waste Water Management	6 673 837	7 531 168	(857 331)	-
Road Transport	10 846 314	12 778 500	(1 932 186)	-
Water	5 376 040	575 492	4 800 548	4 800 548
Electricity	33 328 257	37 210 231	(3 881 974)	-
	<b>106 797 281</b>	<b>133 688 682</b>	<b>(26 891 401)</b>	<b>4 800 548</b>

	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	<b>(Actual)</b>	<b>(Budget)</b>	<b>(Variance)</b>	<b>(Unauthorised)</b>
<b><u>Unauthorised expenditure current year - capita</u></b>				
Executive & Council	-	50 000	(50 000)	-
Budget & Treasury	338 369	130 000	208 369	208 369
Corporate Services	1 102 178	130 000	972 178	972 178
Health	1 263	-	1 263	1 263
Community & Social Services	186 968	400 000	(213 032)	-
Public Safety	2 100	250 000	(247 900)	-
Waste Management	-	-	-	-
Waste Water Management	8 243 143	6 300 000	1 943 143	1 943 143
Road Transport	7 760	14 775 000	(14 767 240)	-
Water	11 554 320	11 700 000	(145 680)	-
Electricity	1 430 755	2 200 000	(769 245)	-
	<b>22 866 856</b>	<b>35 935 000</b>	<b>(13 068 144)</b>	<b>3 124 952</b>

**38.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure		
Opening balance	594 704	300 444
Fruitless and wasteful expenditure current year	166 231	294 260
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<b>760 935</b>	<b>594 704</b>

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>
<i>2012 - Interest on different vendors - R65 155</i>	<i>None</i>
<i>2012 - Interest and unsupported payments - ESKOM - R22 776</i>	<i>None</i>
<i>2012 - Penalties for late submission of assessments - Office of the Compensation Commissioner - R33 025</i>	<i>None</i>
<i>2013 - Penalties for late submission of EMP201 assessments R121 885</i>	<i>None</i>
<i>2013 - Interest for the late submission of EMP201 assessments R6 775</i>	<i>None</i>
<i>2013 - Interest for the late payment on Auditor General's account R165 600</i>	<i>None</i>
<i>2014 - Penalties for late submission of EMP201 assessments R31 864</i>	<i>None</i>
<i>2014 - Interest for the late submission of EMP201 assessments R154</i>	<i>None</i>
<i>2014 - Interest for the late payment on Auditor General's account R134 213</i>	<i>None</i>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

38	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2014 R	2013 R												
38.3	<u>Irregular expenditure</u>														
	Reconciliation of irregular expenditure:														
	Opening balance	8 509 893	8 509 893												
	Irregular expenditure current year	4 501 396	-												
	Condoned or written off by Council	-	-												
	Transfer to receivables for recovery - not condoned	-	-												
	Irregular expenditure awaiting condonement	13 011 288	8 509 893												
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>2012 - List of Irregular expenditure. - R1 672 355</td><td>None</td></tr><tr><td>2012 - Related party transactions - R1 915 098.47</td><td>None</td></tr><tr><td>2012 - Micro Mega - Invalid contract extension - R347 622.12</td><td>None</td></tr><tr><td>2012 - No contract is in place with HV Electrical - R254 109.72</td><td>None</td></tr><tr><td>2014 - List of Irregular expenditure - R4 501 396</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	2012 - List of Irregular expenditure. - R1 672 355	None	2012 - Related party transactions - R1 915 098.47	None	2012 - Micro Mega - Invalid contract extension - R347 622.12	None	2012 - No contract is in place with HV Electrical - R254 109.72	None	2014 - List of Irregular expenditure - R4 501 396	None		
Incident	Disciplinary steps/criminal proceedings														
2012 - List of Irregular expenditure. - R1 672 355	None														
2012 - Related party transactions - R1 915 098.47	None														
2012 - Micro Mega - Invalid contract extension - R347 622.12	None														
2012 - No contract is in place with HV Electrical - R254 109.72	None														
2014 - List of Irregular expenditure - R4 501 396	None														
38.4	<u>Material Losses</u>														
	<b>Electricity distribution losses</b>														
	Units purchased (Kwh)	30 912 134	31 057 249												
	- Units lost during distribution (Kwh)	7 942 822	7 199 723												
	- Percentage lost during distribution	25.69%	23.18%												
	<b>Water distribution losses</b>														
	- Mega litres purified	1 879 629	1 879 573												
	- Mega litres lost during distribution	66 001	95 973												
	- Percentage lost during distribution	3.51%	5.11%												
39	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2014 R	2013 R												
39.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>														
	Opening balance	-	-												
	Council subscriptions	950 000	400 000												
	Amount paid - current year	(450 000)	(400 000)												
	Amount paid - previous years	-	-												
	Balance unpaid (included in creditors)	500 000	-												
39.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>														
	Opening balance	2 375 506	2 589 917												
	Current year audit fee	2 693 645	1 950 505												
	Amount paid - current year	(3 056 639)	-												
	Amount paid - previous year	-	(2 164 916)												
	Balance unpaid (included in creditors)	2 012 512	2 375 506												
39.3	<u>VAT - [MFMA 125 (1)(b)]</u>														
	VAT	9 009 030	7 650 550												
	VAT is payable/receivable on the cash basis.														

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>39.4 <u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	5 404 031	5 599 572
Amount paid - current year	-4 944 087	-5 599 572
<b>Balance unpaid (included in creditors)</b>	<b>459 944</b>	<b>-</b>

<b>39.5 <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	6 846 502	5 731 688
Amount paid - current year	-6 846 502	-5 731 688
Amount paid - previous year	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**39.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2014:

	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
	<b>Outstanding more than 90 days</b>	<b>Outstanding more than 90 days</b>
D. Koopman	-	-
A. Olifant	-	16 775
L. Oliphant	32 805	35 005
A. Marekwa	27 005	33 005
<b>Total Councillor Arrear Consumer Accounts</b>	<b>59 810</b>	<b>84 785</b>

**39.7 Non-Compliance with MFMA**

\* Section 65(2)(e) of the MFMA: Creditors were not paid within the 30 day limit.



**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>40 CAPITAL COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure</b>		
Approved and contracted for:	33 374 037	25 669 062
Infrastructure	33 374 037	25 669 062
<b>Total</b>	<b>33 374 037</b>	<b>25 669 062</b>
This expenditure will be financed from:		
Government Grants	33 374 037	25 669 062
	<b>33 374 037</b>	<b>25 669 062</b>

**41 FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2014 R	2013 R
0.5% (2013 - 0.5%) Increase in interest rates	12 116	(6 628)
0.5% (2013 - 0.5%) Decrease in interest rates	(12 116)	6 628

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 17 for balances included in receivables that were re-negotiated for the period under review.

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

41 FINANCIAL RISK MANAGEMENT (CONTINUE)			2014 R	2013 R
Balances past due not impaired:				
	2014 %	2014 R	2013 %	2013 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	757 548	100.00%	726 401
<u>Exchange Receivables</u>				
Electricity	8%	2 490 827	1.89%	134 800
Water	56%	17 365 675	53.51%	3 818 811
Refuse	13%	4 016 201	16.92%	1 207 403
Sewerage	19%	5 970 060	23.41%	1 670 696
Other	4%	1 196 317	4.28%	305 475
	100.00%	31 039 080	100.00%	7 137 185

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2014 %	2014 R	2013 %	2013 R
Electricity	5.19%	2 101 108	7.11%	3 861 047
Water	39.80%	16 102 617	45.09%	24 480 318
Refuse	16.69%	6 751 688	14.43%	7 836 332
Sewerage	20.89%	8 452 354	19.76%	10 728 308
Other Consumer Arrears	3.30%	1 333 238	3.84%	2 084 078
Rates	14.10%	5 703 880	9.76%	5 300 178
Fines	0.02%	9 344	0.00%	-
	100.00%	40 454 228	100.00%	54 290 260

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows

Long term receivables	-	-
Trade receivables and other receivables	33 251 699	10 394 646
Cash and Cash Equivalents	9 458 271	7 185 754
Unpaid conditional grants and subsidies	-	-
	42 709 970	17 580 400

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

41

## FINANCIAL RISK MANAGEMENT (CONTINUE)

2014  
R2013  
R

## (e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2014</b>				
Long Term liabilities	2 948 447	5 172 074	-	-
Capital repayments	2 382 210	4 652 065	-	-
Interest	566 237	520 009	-	-
Payables From Exchange Transactions	18 826 770	-	-	-
Provisions	1 373 473	-	2 009 734	9 874 349
Capital repayments	1 373 473	-	1 233 802	3 214 805
Interest	-	-	775 932	6 659 544
Unspent conditional government grants and receipts	17 105 961	-	-	-
	<u>38 881 178</u>	<u>5 172 074</u>	<u>-</u>	<u>-</u>
<b>2013</b>				
Long Term liabilities	4 932 296	9 163 252	-	-
Capital repayments	3 789 833	6 245 649	-	-
Interest	1 142 463	2 917 603	-	-
Payables From Exchange Transactions	11 279 709	-	-	-
Provisions	1 347 363	-	-	10 550 637
Capital repayments	1 289 342	-	-	4 178 333
Interest	58 020	-	-	6 372 304
Unspent conditional government grants and receipts	10 118 985	-	-	-
	<u>27 678 352</u>	<u>9 163 252</u>	<u>-</u>	<u>10 550 637</u>

SIYANCUMA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
42	<b>FINANCIAL INSTRUMENTS</b>		
	In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
42.1	<b>Financial Assets</b>		
	<b>Classification IAS 39</b>		
	<b>Long-term Receivables</b>		
	Trade and other receivables with arrangements	-	-
	<b>Consumer Debtors</b>		
	Trade receivables from exchange transactions	64 201 576	55 183 534
	Other receivables from exchange transactions	2 915 982	3 265 868
	Other receivables from non-exchange transactions	6 588 370	6 235 504
	<b>Other Debtors</b>		
	Government Subsidies and Grants	-	-
	<b>Current Portion of Long-term Receivables</b>		
	Trade and other receivables with arrangements	-	-
	<b>Short-term Investment Deposits</b>		
	Call Deposits	8 505 547	5 500 441
	<b>Bank Balances and Cash</b>		
	Bank Balances	952 024	1 684 613
	Cash Floats and Advances	700	700
		<b>76 575 829</b>	<b>65 635 156</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>		
	Financial instruments at amortised cost	<b>76 575 829</b>	<b>65 635 156</b>
42.2	<b>Financial Liability</b>		
	<b>Classification IAS 39</b>		
	<b>Long-term Liabilities</b>		
	Annuity Loans	1 662 867	2 467 493
	Capitalised Lease Liability	3 105 114	3 903 176
	<b>Trade Payables</b>		
	Trade creditors	18 385 450	10 866 245
	Sundry creditors	697 415	184 258
	Deposits	-	-
	<b>Unspent Conditional Grants and Receipts</b>		
	Other Spheres of Government	17 105 961	10 118 984
	<b>Current Portion of Long-term Liabilities</b>		
	Annuity Loans	804 621	804 621
	Capitalised Lease Liability	1 461 673	1 335 367
	<b>Bank Balances and Cash</b>		
	Bank Balances	-	-
		<b>43 223 102</b>	<b>29 680 144</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	<b>43 223 102</b>	<b>29 680 144</b>

**SIYANCUMA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
<b>43</b>	<b>EVENTS AFTER THE REPORTING DATE</b>		
	Fraud investigation in terms of fictitious wage timesheets made by the Human Resources clerk.		
<b>44</b>	<b>IN-KIND DONATIONS AND ASSISTANCE</b>		
	The municipality received funding from various parties for the year end function to the value of R32 000 and the municipality received funding from various parties for the SAMRA games to the value of R49 000.		
<b>45</b>	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		
<b>46</b>	<b>CONTINGENT LIABILITY</b>		
	Siyancuma Municipality can be held liable for dismissal of a personnel member.	-	-
	Siyancuma Municipality and two consumers are currently in a legal dispute that will result in possible legal cost and write off of outstanding rate accounts by Municipality.	3 000 9 000	3 000 9 000
	Phumelela Africa Professional Engineers	524 869	-
	IR Consulting Engineers	323 788	-
	Siyancuma Municipality has a possible liability with regards to the landfill site licence which is outstanding, the amount of the liability is unknown.		
<b>47</b>	<b>RELATED PARTIES</b>		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
<b>47.1</b>	<b>Related Party Transactions</b>		
		<b>Rates -</b> <b>Levied 1 July</b> <b>2013 - 30</b> <b>June 2014</b>	<b>Service</b> <b>Charges -</b> <b>Levied 1 July</b> <b>2013 - 30 June</b> <b>2014</b>
		<b>Other - Levied 1</b>	<b>Outstanding</b>
		<b>July 2013 - 30</b>	<b>Balances 30</b>
		<b>June 2014</b>	<b>June 2014</b>
	<b>Year ended 30 June 2014</b>		
	<b>Councillors</b>	<b>8 683</b>	<b>42 744</b>
	D. Koopman 100986/102213	2 332	15 401
	A. Oliphant 3C0500/300500	-	1 857
	L van Niekerk 100153/100756	6 352	25 485
	L. Oliphant	-	-
	A. Marekwa	-	-
		59 810	63 814
		-	397
		-	172
		-	3 436
		32 805	32 805
		27 005	27 005
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
<b>47.2</b>	<b>Related Party Loans</b>		
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note to the Annual Financial Statements.		
<b>47.3</b>	<b>Compensation of key management personnel</b>		
	The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.		
<b>47.4</b>	<b>Other related party transactions</b>		
	The following purchases were made during the year where Councillors or Management have an interest:		
	C.J.B. Müller, CFO, is a minor shareholder at GWK.		

**APPENDIX A - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2013	Correction of Error	Balance at 30 June 2013 Restated	Received during the period	Redeemed written off during the period	Balance at 30 June 2014
<b>ANNUITY LOANS</b>									
DBSA - Loan 101 Lalf 15104 - 14	13.75%	11626	2015/06/30	195 735	-	195 735	-	(91 359)	104 376
NISSAN NP200 CDR 062 NC	10.50	Standard Bank	2016/11/01	80 269	-	80 269	-	(20 607)	59 662
NISSAN NP200 CDN 916 NC	10.50	Standard Bank	2016/10/01	78 512	-	78 512	-	(20 755)	57 757
NISSAN HARDBODY NP300 CDN 914	10.50	Standard Bank	2016/11/01	113 575	-	113 575	-	(29 157)	84 418
NISSAN HARDBODY NP300 CDP 880	10.50	Standard Bank	2016/11/01	113 349	-	113 349	-	(29 099)	84 250
HYUNDAI H100 CDP 690 NC	10.50	Standard Bank	2016/10/01	146 625	-	146 625	-	(38 761)	107 865
JOHN DEERE CFR 787 NC (017)	10.50	Standard Bank	2017/07/01	224 072	-	224 072	-	(46 381)	177 692
TATA TIPPER CFZ 066 NC (019)	10.50	Standard Bank	2017/09/01	558 310	-	558 310	-	(110 970)	447 340
NISSAN HARDBODY NP300 CDP 876	10.00	Standard Bank	2016/11/01	165 611	-	165 611	-	(42 516)	123 095
NISSAN TIIDA CDP 877 NC	10.50	Standard Bank	2016/11/01	131 023	-	131 023	-	(33 636)	97 386
QUANTUM CDP 884 NC	10.50	Standard Bank	2016/11/01	242 649	-	242 649	-	(62 293)	180 356
NISSAN HARDBODY CDZ032 NC	10.50	Standard Bank	2016/12/01	115 455	-	115 455	-	(28 801)	86 654
NISSAN HARDBODY CDT 116 NC	10.50	Standard Bank	2016/12/01	115 686	-	115 686	-	(28 859)	86 827
NISSAN HARDBODY CDT 114 NC	10.50	Standard Bank	2016/12/01	115 686	-	115 686	-	(28 859)	86 827
NISSAN HARDBODY CDP 879 NC	10.50	Standard Bank	2012/11/01	113 251	-	113 251	-	(29 074)	84 177
TOYOTA HILUX CDK 987 NC	10.50	Standard Bank	2016/09/02	120 257	-	120 257	-	(32 756)	87 501
TATA HONEY SUCKER CFZ 858 NC	10.00	Standard Bank	2017/08/01	642 049	-	642 049	-	(130 745)	511 305
<b>Total Annuity Loans</b>				<b>3 272 114</b>	<b>-</b>	<b>3 272 114</b>	<b>-</b>	<b>(804 626)</b>	<b>2 467 488</b>

**APPENDIX A - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2013	Correction of Error	Balance at 30 June 2013 Restated	Received during the period	Redeemed written off during the period	Balance at 30 June 2014
<b>LEASE LIABILITY</b>									
Nashua - GK500568-500586	11.00%	Nashua	2015/10/30	622 583	-	622 583	-	(459 573)	163 010
PABX - MP 2000 and DTPC 430	9.00%	Nashua	2016/07/30	91 785	-	91 785	-	(27 037)	64 748
CCTV camera P10400003	9.00%	Nashua	2015/03/31	70 635	-	70 635	-	(39 002)	31 634
MP 201 SPF	9.00%	Nashua	2016/11/30	-	38 103	38 103	-	(9 971)	28 132
PABX - PA 188918	9.00%	Nashua	2017/01/31	133 659	-	133 659	-	(33 090)	100 569
Various A	9.00%	Nashua	2015/12/31	14 983	-	14 983	-	(14 983)	-
Various B	9.00%	Nashua	2015/10/31	28 695	-	28 695	-	(28 695)	-
Various (R15200)	8.50%	Nashua	2017/11/30	763 461	-	763 461	-	(148 748)	614 713
Various (R46000)	8.50%	Nashua	2018/02/28	2 417 181	-	2 417 181	-	(440 727)	1 976 454
Clocking System	8.50%	Nashua	2017/10/30	205 190	-	205 190	-	(40 900)	164 290
CCTV System	8.50%	Nashua	2018/05/01	123 813	-	123 813	-	(21 633)	102 180
Various (R27000)	8.50%	Nashua	2015/08/31	728 455	-	728 455	-	(319 649)	408 806
Various (R15000)	9.00%	Nashua	2019/02/28	-	-	-	728 020	(44 175)	683 845
Cisco Router	9.00%	Nashua	2016/11/30	-	-	-	278 586	(50 180)	228 406
							-		
<b>Total Lease Liabilities</b>				<b>5 200 439</b>	<b>38 103</b>	<b>5 238 543</b>	<b>1 006 606</b>	<b>(1 678 361)</b>	<b>4 566 788</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>8 472 554</b>	<b>38 103</b>	<b>8 510 657</b>	<b>1 006 606</b>	<b>(2 482 987)</b>	<b>7 034 276</b>

**APPENDIX B - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**MUNICIPAL VOTES CLASSIFICATION**

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
10 596 850	-	10 596 850	Assesment Rates	138	-	138
28 622	(369 336)	(340 714)	Cemetary	38 976	(550 002)	(511 026)
-	-	-	Civic Centre	-	(2 940)	(2 940)
4 897 243	(3 015 671)	1 881 572	Cleansing	3 474 875	(2 777 537)	697 338
323 957	(23 926 941)	(23 602 984)	Corporate and Human Resources	11 908 199	(12 139 576)	(231 377)
-	-	-	Council General	-	-	-
-	-	-	Depreciation Reserves	-	-	-
227 504	(719 565)	(492 061)	Douglas Holiday Resort	149 242	(326 049)	(176 807)
22 827 655	(28 542 111)	(5 714 456)	Electricity	26 174 878	(33 651 382)	(7 476 504)
35 109 481	(17 407 745)	17 701 736	Finance	46 860 630	(20 438 976)	26 421 654
-	(306 812)	(306 812)	Fire Bridge	-	(306 447)	(306 447)
-	(4 872 027)	(4 872 027)	Governance - Council	-	(5 570 913)	(5 570 913)
-	(127 332)	(127 332)	Health Services	-	(245 334)	(245 334)
1 500 000	(1 544 469)	(44 469)	Interns	1 650 000	(1 486 634)	163 366
445 729	(1 637 326)	(1 191 597)	Library	1 374 107	(1 822 186)	(448 079)
6 072	-	6 072	Licences	6 720	-	6 720
125 166	-	125 166	Meent	118 133	(167 176)	(49 043)
-	(2 808 709)	(2 808 709)	Municipal Manager	-	(1 729 293)	(1 729 293)
-	(1 271 500)	(1 271 500)	Parks and Recreation	-	(1 482 379)	(1 482 379)
65 099	(1 015 343)	(950 244)	Properties	143 080	(898 143)	(755 063)
454 998	(8 298 045)	(7 843 047)	Public Works: Roads	7 109 134	(10 856 782)	(3 747 648)
-	-	-	Sanitation	-	-	-
5 801 027	(6 447 489)	(646 462)	Sewerage and Sanitation	10 765 201	(6 797 891)	3 967 310
-	-	-	Stormwater Drainage	-	-	-
49 604	(649 424)	(599 820)	Traffic	983 971	(1 028 169)	(44 198)
32 236 811	(3 572 325)	28 664 486	Water	20 586 679	(5 588 360)	14 998 319
114 695 818	(106 532 170)	8 163 648	Sub Total	131 343 963	(107 866 169)	23 477 794
-	1 750 482	1 750 482	Less Inter-Departmental Charges	-	1 068 888	1 068 888
114 695 818	(104 781 688)	9 914 130	<b>Total</b>	131 343 963	(106 797 281)	24 546 682



**APPENDIX C - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
-	(4 872 027)	(4 872 027)	Executive & Council	-	(5 570 913)	(5 570 913)
47 271 430	(19 967 557)	27 303 873	Budget & Treasury	48 653 848	(22 823 753)	25 830 095
449 123	(26 735 650)	(26 286 527)	Corporate Services	12 026 332	(14 038 985)	(2 012 653)
-	(127 332)	(127 332)	Health	-	(245 334)	(245 334)
474 351	(2 006 662)	(1 532 311)	Community & Social Services	1 413 083	(2 372 188)	(959 105)
55 676	(956 236)	(900 560)	Public Safety	990 691	(1 334 616)	(343 925)
227 504	(1 991 065)	(1 763 561)	Sport & Recreation	149 242	(1 808 428)	(1 659 186)
4 897 243	(3 015 671)	1 881 572	Waste Management	3 474 875	(2 777 537)	697 338
5 801 027	(6 447 489)	(646 462)	Waste Water Management	10 765 201	(6 797 891)	3 967 310
454 998	(8 298 045)	(7 843 047)	Road Transport	7 109 134	(10 856 782)	(3 747 648)
32 236 811	(3 572 325)	28 664 486	Water	20 586 679	(5 588 360)	14 998 319
22 827 655	(28 542 111)	(5 714 456)	Electricity	26 174 878	(33 651 378)	(7 476 500)
						-
114 695 818	(106 532 170)	8 163 648	Sub Total	131 343 963	(107 866 165)	23 477 798
-	1 750 482	1 750 482	Less Inter-Departmental Charges	-	1 068 888	1 068 888
114 695 818	(104 781 688)	9 914 130	<b>Total</b>	131 343 963	(106 797 277)	24 546 686

**APPENDIX D - Unaudited**  
**SIYANCUMA LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 July 2013	Correction of error	Restated balance 1 July 2013	Contributions during the year	Transfer	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2014	Unspent 30 June 2014 (Creditor)	Unpaid 30 June 2014 (Debtor)	Unspent 30 June 2013 (Creditor)	Unpaid 30 June 2013 (Debtor)
<b>UNSPENT/UNPIAD CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Library Project	743 799	-	743 799	630 000	-	-	-	1 373 799	-	-	-	-	743 799	-
FMG	-	-	-	1 650 000	-	-	-	1 614 320	35 680	-	-	-	-	-
Equitable Share	-	-	-	32 282 000	4 560 000	-	-	36 842 000	-	-	-	-	-	-
MSIG	-	-	-	890 000	-	-	-	526 521	363 479	-	-	-	-	-
MIG	7 043 685	-	7 043 685	19 475 000	-	-	-	-	13 180 092	13 338 593	13 338 593	-	7 043 685	-
LG Seta	286 496	-	286 496	72 745	-	-	-	68 676	-	290 565	290 565	-	286 496	-
EPWP	2 045 004	-	2 045 004	1 000 000	-	-	-	2 265 351	7 097	772 555	772 555	-	2 045 004	-
Department of Minerals & Energy	-	-	-	3 200 000	-	-	-	-	1 592 192	1 607 808	1 607 808	-	-	-
Griekwastad 457	-	-	-	4 774 808	-	-	-	-	4 774 808	-	-	-	-	-
Douglas Oxidation Ponds	-	-	-	5 334 795	-	-	-	-	4 238 356	1 096 440	1 096 440	-	-	-
<b>Total</b>	<b>10 118 984</b>	<b>-</b>	<b>10 118 984</b>	<b>69 309 348</b>	<b>4 560 000</b>	<b>-</b>	<b>-</b>	<b>42 690 668</b>	<b>24 191 703</b>	<b>17 105 961</b>	<b>17 105 961</b>	<b>-</b>	<b>10 118 984</b>	<b>-</b>
											(6 986 978)	-	10 118 984	-